

April 25, 2014

Miller Center Conference Paper

“Developmental State: The Politics of Business, Poverty, and Economic Empowerment from the New Deal to the New Democrats”

Reader,

I’ve included a portion of the introduction to the project as well as Chapter 8, “Business Producerism / Urban Populism and Neoliberalism by Default.” The chapter explores the moment when business leaders in Cleveland joined other businesspeople across the country, thanks in large part to structural economic changes and the challenges of inflation, in moving to develop more vigorous public private partnerships with local government in order to steer federal developmental state funding. In doing so, they explicitly modeled their efforts on Sunbelt precedents and embraced a political cultural mode of “business producerism,” positioning themselves and their businesses as the best guarantors of their local community’s economic health and vitality.

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Thank you!

Brent Cebul

**Introduction:**  
***Defining the Developmental State***

In the wake of the 2008 financial crisis, conservatives blasted the Obama Administration for devoting part of its stimulus package to funding green energy startups. This limited industrial policy – what conservatives disparaged as government choosing market “winners and losers” – backfired for the President when Solyndra, a solar energy company, went bankrupt despite \$536 million in federal loan guarantees.<sup>1</sup> Appearing outside Solyndra’s shuttered headquarters in Fremont, California, 2012 Republican Presidential nominee Mitt Romney called the building “a symbol of gross waste.” He blasted President Obama for failing “to understand the basic nature of free enterprise in America.”<sup>2</sup> As Romney’s running mate, Wisconsin Rep. Paul Ryan told Fox News, “This is industrial policy and crony capitalism at its worst.” Said Paul, “We shouldn’t be picking winners and losers in Washington.”<sup>3</sup>

This was not the first time in American history that conservatives advocating limited government, ostensibly speaking for a broad business constituency, decried foolhardy and anti-

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<sup>1</sup> For a representative example of the right’s criticism of Obama’s green energy policy, see, for instance, the online blog of the Heritage Foundation, and in particular, “President Obama’s Taxpayer-Backed Green Energy Failures,” *The Foundry*, October 18, 2012. Accessed online: <http://blog.heritage.org/2012/10/18/president-obamas-taxpayer-backed-green-energy-failures/>

<sup>2</sup> “Two Locations Chosen to Annoy the Other Side,” *New York Times*, May 31, 2012.

<sup>3</sup> Paul Ryan on Fox News Sunday, September 18, 2011, online at: <https://www.youtube.com/watch?v=4G66rI959J8>

American governmental efforts to steer domestic economic development and industrial innovation. Just such an outcry killed FDR's National Resources Planning Board.<sup>4</sup> Forty years later, another outpouring of laissez-faire sentiment in opposition to national industrial policy wrought the demise of the Humphrey-Hawkins full employment bill.<sup>5</sup> Today, as Americans gaze warily at a European market in crisis, the lesson for many seems to be that, despite its rough patches, the United States' postwar political economy constituted a resounding victory for an American version of democratic capitalism. That triumph was forged through limited government and free markets buoyed by individual entrepreneurial initiative rather than state planning or wealth redistribution.

"Developmental State" argues the opposite. The growth, innovation, and productivity that characterized many of the heights of the post-New Deal political economy were fundamentally built through public private partnerships that invited just such government intervention and redistribution – interventions that local and regional businesspeople sought, shaped, and often

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<sup>4</sup> On the NRPB, see Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Vintage, 1995); and Philip Funigiello, *The Challenge to Urban Liberalism: Federal-City Relations during World War II* (Knoxville; University of Tennessee Press, 1978), 163-86.

<sup>5</sup> On Humphrey-Hawkins and the Carter Administration's refusal to pursue industrial policy, see especially Jefferson Cowie, *Stayin' Alive: The 1970s and the Last Days of the Working Class* (New York: The New Press, 2010), 262-88; and Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010), 165-92.

administered.<sup>6</sup> The largely untold story of the twentieth century American political economy is one of highly porous boundaries between the public and private sectors and of vigorous but decentralized, regional, business-led industrial policies.<sup>7</sup>

By exploring the actions of local businesspeople and their political allies in regions generally taken to be historiographical antipodes – the declining Rustbelt and the ascendant Sunbelt – “Developmental State” illuminates the halting interregional convergence upon a common vision of public private partnerships on behalf of growth.<sup>8</sup> But, the project also demarcates the highly racialized and normative boundaries that delineated the Developmental State. From the New Deal to the New Democrats, a local bipartisan consensus reigned that

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<sup>6</sup> Economists and economic historians have begun to identify the ways governmental intervention, though rarely systematic or transparent, underwrote and protected industrial and economic development throughout the developed world in the 19<sup>th</sup> and 20<sup>th</sup> centuries. See Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective: Policies and Institutions for Economic Development in Historical Perspective* (London: Anthem Press, 2002); and Fred Block and Matthew R. Keller, eds., *State of Innovation: The US Government's Role in Technology Development* (Boulder, CO: Paradigm, 2011). On the many ways in which federal policies absorbed private sector risk and underwrote innovation and growth in the United States, see David A. Moss, *When All Else Fails: Government as the Ultimate Risk Manager* (Cambridge: Harvard University Press, 2002).

<sup>7</sup> For a thorough introduction into the diverse business history literature that also suggests “the porous boundary” between the public and private sectors, see Philip Scranton and Patrick Friedenson, *Reimagining Business History* (Baltimore: Johns Hopkins University Press, 2013), 92-6. On business people bringing state provision into their business models, see Stephen B. Adams, *Mr. Kaiser Goes to Washington: The Rise of a Government Entrepreneur* (Chapel Hill: University of North Carolina Press, 1997); and Bartow J. Elmore, *Citizen Coke: The Making of Coca Cola Capitalism* (New York: Norton, forthcoming 2014). See also, Kim McQuaid, *Uneasy Partners: Big Business in American Politics, 1945-1990* (Baltimore: Johns Hopkins University Press, 1994).

<sup>8</sup> The canonical volume that counterpoises the rise of Sunbelt conservatism and the fall of Rustbelt liberalism is Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order* (Princeton: Princeton University Press, 1989).

consistently resisted redistribution to address the structural causes of endemic poverty and unemployment. Instead, Republicans and Democrats argued that growth, individual initiative, and empowering private sector actors were the best remedies for declining regions and poverty.<sup>9</sup> By arguing for the antipoverty efficacy of market and nongovernmental actors, they invoked flimsy tropes of “free markets” and “positive business climates” that fundamentally obfuscated their policy preferences.<sup>10</sup> This rhetoric obscured a much more vigorous role for targeted market

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<sup>9</sup> “Developmental State” links the history of post-New Deal developmental politics with the literature on liberals’ often ambivalent and halfhearted efforts to address structural and racialized poverty. On poverty and social welfare policy, Alice O’Connor, *Poverty Knowledge: Social Science, Social Policy, and the Poor in Twentieth-Century U.S. History* (Princeton: Princeton University Press, 2001); Adolph Reed, Jr., ed., *Without Justice for All: The New Liberalism and Our Retreat from Racial Equality* (Boulder: Westview Press, 1999); Daryl Michael Scott, *Contempt and Pity: Social Policy and the Image of the Damaged Black Psyche, 1880-1996* (Chapel Hill: University of North Carolina Press, 1997); and Alyosha Goldstein, *Poverty in Common: The Politics of Community Action During the American Century* (Durham, NC: Duke University Press, 2012). On the interaction of federalism, development politics, and social welfare provisions, see especially, Ira Katznelson, *When Affirmative Action was White: An Untold History of Racial Inequality in Twentieth-Century America* (New York: Norton, 2005). On normativity and social provision, see Michael B. Katz, *The Undeserving Poor: From the War on Poverty to the War on Welfare* (New York: Pantheon Books, 1989).

<sup>10</sup> Because historians have focused on rhetoric, the rise of ‘neoliberal’ intellectuals, or Ronald Reagan’s election in 1980 to explain the rise of the New Right, they have reinforced popular notions that businesspeople and conservatives prefer non-state policies while Democrats, when true to “liberalism,” prefer statist solutions. For a similar critique, see Matthew Lassiter, “Political History Beyond the Red Blue Divide,” *Journal of American History* (2011) 98 (3): 760-764. On the rise of market based discourse and ideas, see especially, Angus Bergin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge: Harvard University Press, 2012) and Daniel Rodgers, *Age of Fracture* (Cambridge: Belknap, 2012). Biographers have had more success in linking intellectual or discursive trends with habits and practice, though they generally focus on individuals who generate ideas rather than the ways ideas reflect political action and lived experience. See, for instance, Jennifer L. Burns, *Goddess of the Market: Ayn Rand and the American Right* (New York, 2011). For narratives of political history that keep policymaking in view and thus leaven political rhetoric and ideologies, see Brian Balogh, “Making Pluralism ‘Great.’ Beyond a Recycled History of the Great Society,” in Sidney M. Milkis and Jerome M. Mileur, eds., *The*

interventions, infrastructure spending and direct subsidies, University research and development, and public to private technology transfers that drove innovation and productivity for a broad range of business interests, from entrepreneurs to established firms, while denying public assistance for the poor and marginalized.<sup>11</sup>

While recent works of history and political science point out the vast role government has played in shaping markets, they do not in any systematic way identify how local actors came to “naturalize” or submerge such extensive public interventions.<sup>12</sup> The primary questions animating this project, then, address significant gaps in the flourishing literatures on conservatism, political

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*Great Society and the High Tide of Liberalism* (Amherst, MA, 2005), Gareth Davies, *See Government Grow: Education Politics from Johnson to Reagan* (Lawrence: University Press of Kansas, 2007), and Paul Pierson, *Dismantling the Welfare State?: Reagan, Thatcher and the Politics of Retrenchment* (New York, 1995).

<sup>11</sup> There is growing interest in public investment in research and development and the turn to a high technology, “knowledge economy.” So far, however, these studies have focused mainly on the Universities themselves and less on the broader political justification for the investments and the private sector adjuncts to these University-driven development projects. See especially, Margaret O’Mara, *Cities of Knowledge: Cold War Science and the Search for the Next Silicon Valley* (Princeton: Princeton University Press, 2005). On business and University research, see also Elizabeth Tandy Shermer *Sunbelt Capitalism: Phoenix and the Transformation of American Politics* (Philadelphia: University of Pennsylvania Press, 2013), 200-19.

<sup>12</sup> William J. Novak, “The Myth of the ‘Weak’ American State,” *American Historical Review*, 113, no. 3 (June 2008): 752–772. The project offers new insights into a growing body of literature in Policy History, Political Science, and American Political Development that describe as “hidden” or “submerged” federal policies that underwrite a broad range of social and economic goods. See, Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth Century America* (New York: Cambridge University Press, 2010); Suzanne Mettler, *The Submerged State: How Invisible Government Policies Undermine American Democracy* (Chicago: University of Chicago Press, 2011); Christopher Howard, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton: Princeton University Press, 1999); and Jacob Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (New York: Cambridge University Press, 2002).

economy and capitalism, and the mobilization of business.<sup>13</sup> How, on the one hand, did businesspeople justify, reconcile, and understand their unprecedented empowerment within the state as well as their contributions to increased state capacity, while, on the other hand, they consistently called for federal retrenchment and free markets? Put another way, how and why have businesspeople and politicians propagated an idealized myth of a weak American state while simultaneously pursuing growth policies that underscore just how mythical that state is?

In answering these questions, “Developmental State” identifies a critical flaw in the Obama Administration’s attempts to stimulate a green economy. It did so through highly visible direct federal expenditures. In contrast, the twentieth century developmental state, with its origins in the New Deal, was constructed through an indirect model of cooperative, intergovernmental fiscal federalism that filtered national tax revenues through state and local governments and across a wide array of policy areas – from overt economic and community development programs to antipoverty and regional planning initiatives. Conventionally, analysts often point to Congress’ defunding of the NRPB in 1943 as the end of a version of activist

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<sup>13</sup> In his 2012 presidential address to the Business History Association, Kenneth Lipartito called for renewed attention to business peoples’ cultural and material practices. Lipartito, “Connecting the Cultural and Material in Business History,” *Enterprise & Society*, December 2013, Vol. 14, No. 4, pp. 686-704. For incisive introductions to the historiography of American conservatism that identify the need to investigate political mobilization within the broader contexts of political economy and policymaking, see Kim Phillips-Fein, “Conservatism: A State of the Field,” *Journal of American History* (December 2011, Vol. 98, No. 3), and Julian E. Zelizer, “Reflections: Rethinking the History of American Conservatism,” *Reviews in American History* (June 2010, Vol. 38, No. 2).

government economic and industrial planning – the “end of reform.”<sup>14</sup> To be sure, the “Social Keynesians” who advocated active and centralized federal policies such as public works, natural resource development, jobs programs, and national economic planning were soon marginalized in national politics in favor of consumer Keynesianism.<sup>15</sup> But, local politicians and businesspeople who so greatly appreciated New Deal and wartime development spending and strategic regional planning did not end their mobilization or lower their expectations for public support.<sup>16</sup> Instead, they continued to lobby for federal spending wherever they could get it and, in so doing, created a decentralized arrangement of local, state, and regional economic planning institutions that partnered with business and Universities to deliver the kinds of industrial policy and planning that had been pioneered by the New Deal and Warfare States.<sup>17</sup>

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<sup>14</sup> Alan Brinkley, *The End of Reform*. See also, James T. Kloppenberg, *The Virtues of Liberalism* (New York: Oxford University Press, 1998), 100-123.

<sup>15</sup> Brinkley, *The End of Reform*; and Lizabeth Cohen, *A Consumer's Republic: The Politics of Mass Consumption in Postwar America* (New York: Vintage, 2003).

<sup>16</sup> Referring to New Deal works programs as economic or community development programs is an anachronism, but, as Jason Scott Smith has argued, in practice, these programs were important precedents for later programs that were defined more explicitly as “development” initiatives. Smith, *Building New Deal Liberalism: The Political Economy of Public Works: 1933-1956* (New York: Cambridge University Press, 2006).

<sup>17</sup> Few historians have recognized the persistence of preferences for industrial policy or of full employment liberalism at the local level. One significant exception is Guian A. McKee, *The Problem of Jobs: Liberalism, Race, and Deindustrialization in Philadelphia* (Chicago: University of Chicago Press, 2008). As early as 1971, sociologist Robert Nisbet bemoaned the rise of “academic capitalism.” See Nisbet, *The Degradation of the Academic Dogma: The University in America, 1945-1970* (New York: Basic, 1971). On the creation and legitimization of new forms of state capacity during World War II, see James T. Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (New York: Oxford University Press, 2011).



The Developmental State was obscured because it blended federal tax receipts with decentralized public administrative authority and the agency and interests of local private actors. Such an arrangement enabled Democrats and Republicans alike during the Cold War to plausibly invoke wizened tropes such as American exceptionalism, the fight against creeping socialism, and the notion of the “American Way.”<sup>18</sup> This ad hoc, regional, and “associative” model of state building empowered local elites to control generous federal tax revenues and to steer them toward the development of local and regional industrial and economic strengths.<sup>19</sup> Seen from this vantage point, local politicians and business people in burgeoning “Cities of Knowledge” who yoked federal research and development spending to the particular industrial or academic assets of Silicon Valley, Atlanta, suburban Boston, or Philadelphia acted in remarkably similar ways to businesspeople who organized in Southern California or Arizona in pursuit of the economic

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<sup>18</sup> On the political construction of American exceptionalism and the “American Way” in the context of the Cold War, see Wendy Wall, *Inventing the “American Way”: The Politics of Consensus from the New Deal to the Civil Rights Movement* (New York: Oxford University Press, 2008); Ellen Schrecker, *Many are the Crimes: McCarthyism in America* (New York: Little Brown, 1998); and Donald T. Critchlow, *Phyllis Schlafly and Grassroots Conservatism: A Woman’s Crusade* (Princeton: Princeton University Press, 2005).

<sup>19</sup> On associative or associational state building, see David M. Hart, “Herbert Hoover’s Last Laugh: The Enduring Significance of the ‘Associative State’ in the United States,” *Journal of Policy History*, Volume 10, Issue 04, October 1998, 419-444. See also, Joanna Grisinger, *The Unwieldy American State: Administrative Politics Since the New Deal* (New York: Cambridge University Press, 2012); and Ellis Hawley, “Hebert Hoover, the Commerce Secretariat, and the Vision of an ‘Associative State,’” *Journal of American History* 61 (1974): 116-40.

growth that came along with federal defense contracts and infrastructure dollars.<sup>20</sup> They were all developmental state builders who very often disparaged state building.

Over decades of structural economic change, this developmental state model of federalism and regional industrial policy maintained and refashioned a plausible appearance of “free market” activity by emphasizing the private fruits of public private partnerships. Neither wholly liberal nor wholly conservative, the developmental state was fundamentally a creature of American federalism: localism, majoritarian values, and thin but staunchly majoritarian invocations of “community” contributed to its resilience and also help explain its relative invisibility.<sup>21</sup> The federal structure resided within an even deeper set of historical concerns about the dangers of centralized authority reaching back to the earliest days of the American republic.<sup>22</sup> Neither cyclical narratives of waning liberalism or ascendant conservatism provide an analytical or ideological framework that makes sense of this decentralized system of public inducements

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<sup>20</sup> O’Mara, *Cities of Knowledge*; Lisa McGirr, *Suburban Warriors: The Origins of the New American Right* (Princeton: Princeton University Press, 2001); Shermer, *Sunbelt Capitalism*; and Michael Brenes, “For Right and Might: The Militarization of the Cold War and the Remaking of American Democracy” (PhD. Diss., The City University of New York, 2013).

<sup>21</sup> On the power for electoral majorities and elites of “community” discourse to flatten distinctions between competing groups and to thus marginalize minority interests, see See Iris Marion Young, “The Ideal of Community and the Politics of Difference,” in Penny A. Weiss and Marilyn F. Friedman, eds., *Feminism and Community* (Philadelphia: Temple University Press, 1995).

<sup>22</sup> On the power of federalism to mitigate fears of national overreach while subtly expanding the national state’s capacity during the founding era, for instance, see Max Edling, *A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State* (New York: Oxford University Press, 2008); and Patrick Griffin, *American Leviathan: Empire, Nation, and Revolutionary Frontier* (New York: Hill and Wang, 2008).

for local growth and economic development.<sup>23</sup> Rather, as Thomas Sugrue has suggested, these politics were instead “ineluctably a politics of place,” and so localism and regionalism, rather than liberalism or conservatism, must drive analyses of developmental politics and the twentieth century political economy.<sup>24</sup>

The Obama Administration’s highly visible efforts to empower green companies like Solyndra, a newcomer in a field dominated by entrenched carbon-based energy interests, also illuminates another crucial feature of the developmental state – its boundaries. Indeed, when the Administration explicitly sought to expand the developmental state to benefit newcomers, the reaction among entrenched interests, many of which had historically benefited from federal subsidies themselves, was swift. Between 1950 and 2010, the federal government provided the oil and gas industries with nearly \$500 billion in subsidies. Ongoing subsidies total \$50 billion

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<sup>23</sup> Scholars of American Political Development have challenged the “cycles of reform” framework of American political history. See especially, Brian Balogh, *Between the Cycles: Essays on the Evolution of Twentieth-Century American Governance* (University of Pennsylvania Press, forthcoming); Paul Pierson, *Politics in Time: History Institutions, and Social Analysis* (Princeton: Princeton University Press, 2008); and Paul Pierson and Theda Skocpol, eds. *The Transformation of American Politics: Activist Government and the Rise of Conservatism* (Princeton: Princeton University Press, 2007). In the field of political history, Matthew Lassiter called for historical analysis that challenges rigid binaries between liberalism and conservatism. See, Lassiter, “Political History beyond the Red-Blue Divide.”

<sup>24</sup> Thomas J. Sugrue, “All Politics is Local: The Persistence of Localism in Twentieth Century America,” in *The Democratic Experiment*, eds., Meg Jacobs, William J. Novak, and Julian Zelizer (Princeton: Princeton University Press, 2003). Jefferson Cowie has powerfully emphasized the importance of localist concerns in shaping both the rise and fragmentation of twentieth century organized labor. See Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: The New Press, 2001), esp. ch. 7.

annually.<sup>25</sup> By attacking green subsidies, these interests deployed free market rhetoric not as a statement of ideological preference but as a ploy to protect their material interests.

Similarly, in an earlier era, the War on Poverty advanced a highly visible form of federalism that bypassed local elites and established political hierarchies and, in so doing, punctured the majoritarian and highly racialized assumptions embedded in the developmental state. While many businesspeople and their political allies eagerly sought public redistribution and market intervention in order to stimulate local economic development, they vociferously opposed similar redistributionary approaches to structural poverty that seemed to threaten their dominant position, invoking hollow tropes of rugged individualism, “self help,” and free market opportunity to delegitimize poverty programming. In relation to the meager degree to which their developmental authority had actually been challenged, local and regional business people’s reaction was grossly overstated and contributed to a misguided but potent antistatism that increasingly and inaccurately posited a zero sum relationship between the public and private sectors.<sup>26</sup> Over the 1970s, this antipathy toward government was fueled by public sector scandals

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<sup>25</sup> National Public Radio offered an overview of the history of government energy subsidies stretching back to early investments in oil and gas exploration in 1918. See <http://www.npr.org/2011/11/16/142364037/solyndra-highlights-long-history-of-energy-subsidies>

<sup>26</sup> “Developmental State” contributes to a growing history of the local war on poverty that suggests just how involved the private sector was in steering and ultimately blunting federal antipoverty initiatives. See especially, Annelise Orleck and Lisa Gayle Hazirjian, eds., *The War on Poverty: A New Grassroots History* (Athens, GA: University of Georgia Press, 2011).

such as Watergate, the failure in Vietnam, and the government's seeming inability to handle the various financial crises of the decade, from oil shocks to stagflation.<sup>27</sup> In this roiling political climate, business leaders locally and nationally sought to burnish business' reputation as community shepherds, job producers, and protectors of essential American values on behalf of their exclusive right to guiding – and benefitting from – developmental policies.

These political cultural trends played a critical role in submerging and ultimately undermining federal support for the developmental state. During the 1970s and into the 1980s, amidst a crisis of faith in public institutions, businesspeople forcefully claimed the producerist mantle. As Michael Kazin has argued, the “producer ethic” legitimizes those who produce wealth in tangible ways as the best protector of the nation's or a community's values and opportunities.<sup>28</sup> Faced with insurgent minority groups backed by federal antipoverty dollars,

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<sup>27</sup> Frustration over governments' litany of failures, perceived and real, was a crucial and generally overlooked push factor for Americans' rhetorical embrace of free market or conservative politics. Alan Brinkley has urged historians to investigate this aspect of the 1970s. See Brinkley, “Conservatism as a Growing Field of Scholarship,” *Journal of American History* (2011) 98 (3): 748-751. For an excellent overview of the 1970s from a variety of policy perspectives, see David Brian Robertson, ed., *Loss of Confidence: Politics and Policy in the 1970s* (University Park, PA: Pennsylvania State University Press, 1998). See also, Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, *The Shock of the Global* (Cambridge: Belknap, 2010); and Joseph S. Nye, Jr., Philip Zelikow, and David C. King, eds., *Why People Don't Trust Government* (Cambridge: Harvard University Press, 1997).

<sup>28</sup> Michael Kazin, *The Populist Persuasion: An American History* (Ithaca: Cornell University Press, 1995). On the political potency of populism as well as its malleability, see Sophia Rosenfeld, *Common Sense: A Political History* (Cambridge: Harvard University Press, 2011). Shane Hamilton dubbed working class and small business peoples' antistatism of the 1970s “neopopulism.” Hamilton, *Trucking Country: The Road to America's Wal-Mart Economy* (Princeton: Princeton University Press, 2008), see esp., 207-31.

attacked by consumer advocates such as Ralph Nader, and squeezed by the 1970s' debilitating inflation, businesspeople across a wide spectrum and scale embraced a self-styled underdog persona and mounted a rearguard political mobilization.<sup>29</sup> In so doing, they embraced a hard-edged version of a business brand of the producer ethic. Businesspeople – not labor, neighborhood associations, mobilized minority groups, or their allies in bloated government – were fiscally responsible job producers, the guarantors of local opportunity and healthy communities.

At first, the salience of antigovernment rhetoric and “free market” politics was based on business peoples' pious sense of *entitlement to* state provision – not a clear-cut call for separating the public and private sectors. Over time, however, as reflected in Newt Gingrich's 1994 “Contract with America,” a partisan and cynical version of business producerism and antistatism flowered that genuinely sought to substitute private action for public policies. A new generation of conservative politicians that had come of age in the tumultuous 1970s sought to act on the increasingly zero sum rhetoric. If the Democratic Party from the New Deal to the New Democrats sought to knit together pragmatic local growth-based concerns by stimulating the decentralized developmental state, Newt Gingrich and the New Majority built an electoral

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<sup>29</sup> In this political cultural rather than ideological construction of business politics, I take a cue from Grace Elizabeth Hale's history of middle class whites' cultivation of outsider self-conceptions. Hale, *A Nation of Outsiders: How the White Middle Class Fell in Love with Rebellion in Postwar America* (New York: Oxford University Press, 2011).

coalition that keyed on abstract national grievances that ultimately undermined the developmental state. After decades of their own rhetorical attacks on government, on minority empowerment, and an embrace of “market speak” – privileging private sector outputs rather than public inputs – advocates of public private partnerships were fundamentally complicit in the politics that undermined public funding in support of developmental state building. The low tax politics of austerity that emerged by the 1990s profoundly limited the public sector’s ability to back innovative partnerships and significantly narrowed the range of developmental state policies.

## Chapter Seven

### Business Producerism / Urban Populism: “Neoliberalism by Default” in Cleveland

*The Cleveland situation . . . is a reminder of the power of commercial banks. The credit powers, alone, can be literally life or death for business enterprises and individuals and, as we have learned in New York and Cleveland, for large municipalities as well. When these credit functions are enhanced by trust investments, linked directorships and other ties, the potential for control and power is awesome.*

- U.S. Rep. Fernand J. St. Germain (D-RI)

Scanning the front page of the *Plain Dealer* on Wednesday, July 10, 1974, Clevelanders were greeted with news of one crisis after another. All summer, of course, the city’s major newspaper covered the worsening Watergate scandal. But beneath those headlines (“Nixon: ‘Get on with coverup’”) was news of ongoing judicial rancor over urban-suburban school busing and inflating food prices. Ethnic Republican Mayor Ralph Perk brought a folksy, can-do conservatism to his first years on the job. But, faced with intractable population and industrial decline and the concomitant shriveling of the city’s tax base, the second half of the Perk years took on an increasingly desperate tenor. Further unsettling the city’s political climate, Perk made a foolhardy and doomed run for U.S. Senate, competing as a Republican against astronaut and Ohio hero John Glenn during the Watergate summer. While Perk stumped for the Senate, that same July 10 front page featured a story on a business association’s report that Cleveland would



finish 1975 with an \$18 million budget deficit. Cleveland's local public institutions, like the federal government, seemed increasingly incapable of meeting the challenges of the modern, globalizing world.

During the 1970s, Cleveland represented an extreme example of the plight facing numerous northern, deindustrializing cities.<sup>30</sup> Confronted with contracting tax bases, many municipalities used federal funds along with short and long-term credit to paper over yawning budget deficits. By the late 1970s, one U.S. House committee report found that commercial banks held nearly half the municipal debt in the United States. While much of that figure was comprised of long-term notes issued by local governments, private banks increasingly offered short-term credit for local governments squeezed by the inflation, deindustrialization, tax revolts, and outmigration of the turbulent era.<sup>31</sup> For decades, commercial banks had rolled over municipal debt, an expression of faith in a government's ability to ultimately meet its obligations. But, failing such long-term faith, banks could call the debts, raising the specter of default. As the House report put it, in this new political-fiscal climate, "the decisions of loan

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<sup>30</sup> On deindustrialization across the urban North, see especially, Jefferson Cowie and Joseph Heathcott, eds., *Beyond the Ruins: The Meanings of Deindustrialization*.

<sup>31</sup> There is a growing literature on debt and inflation in the 1970s, but its impact on municipal finance and politics, with the exception of New York City's 1975 fiscal crisis, has largely been overlooked. For excellent examples of this new literature on the political economy of debt and inflation, see Louis Hyman, *Debtor Nation: The History of America in Red Ink*. On the politics of inflation, see Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies*. On inflation and municipal politics, particularly in the New York City fiscal crisis, see Paul Peterson, *City Limits*, esp. ch. 4.

officers and the board of directors of financial institutions are critical; at times carrying far more impact than the decisions of thousands of citizens of a municipality.”<sup>32</sup> This chapter illuminates an extreme consequence of these developments through the perspectives of creditors (Cleveland Trust bankers and their allies), and debtors (city government) – each of which felt they best represented the interests of the city of Cleveland. The result was Cleveland’s 1978 default and a decisive move toward private-led public-private developmental partnerships.

The chapter also illuminates the emergence of a business brand of “producerist” political culture – nationally and in Cleveland – by explicating the advent of business peoples’ self-styled rearguard political mobilization. Historians have explored the political salience of labor and agriculture’s “producerist” populism in earlier eras, but, during the 1970s and into the 1980s, businesspeople asserted their producerist role – and privilege. As Michael Kazin has argued, the “producer ethic” legitimizes those who produce tangible wealth as the best protector of the nation’s or a community’s values and opportunities.<sup>33</sup> As such, producerist populism also often

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<sup>32</sup> The Role of Commercial Banks in the Finances of the City of Cleveland, Staff Study by the Subcommittee on Financial Institutions Supervision, Regulation, and Insurance of the House Committee on Banking, Finance and Urban Affairs, June 1979, 1, Public Administration Library, City Hall, Cleveland, Ohio [hereafter PAL]. A subsequent sociological analysis of banks’ lending power finds that for corporations and the state, “the process of defining a situation as a crisis sets into motion all the consequences of that definition and can create an actual crisis even where none existed before.” See, Davita Silfen Glasberg, *The Power of Collective Purse Strings: The Effects of Bank Hegemony on Corporations and the State* (Berkeley: University of California Press, 1989), 2.

See Davita

<sup>33</sup> Kazin, *The Populist Persuasion: An American History* (Ithaca: Cornell University Press, 1995).

advances a claim for a group or class' more legitimate access to public assistance.<sup>34</sup> Previously, especially as compared to their Southern brethren, capital-rich Northern business interests stood at a relative remove from the nitty gritty of municipal politics, recommending certain policies, supporting favorable candidates, and advancing targeted developmental partnerships through, for example, urban renewal. Faced first with the Perk Administration's incompetence and resistance to business' developmental agenda, then with Dennis Kucinich and neighborhood groups' insurgent anti-corporate urban populism, a number of Cleveland's business leaders embraced a harder edged version of a business brand of the "producer ethic" then sweeping the nation: businesspeople – not labor, neighborhood groups, or their allies in bloated government – were fiscally responsible job producers. They were thus the best guarantors of growth, opportunity, and sound governance. The city's debt, much of which had accrued thanks to business-backed developmental schemes, gave businesspeople a new form of leverage with which to steer the city's use of developmental state programs.

By focusing on local cases within the context of the 1970s' and 1980s' political economy, this broader section argues that far from embracing an idealized vision of separate public and private spheres, politicians and businesspeople embraced "neoliberalism by

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<sup>34</sup> See, for instance, Alan Brinkley, *Voices of Protest: Huey Long, Father Coughlin and the Great Depression* (New York: Vintage, 1982).

default.”<sup>35</sup> Just as capital poor Southern regions had for decades, these constituencies came to view thicker public and private association as the last best chance to save a struggling community. Cleveland’s politicians, faced with budgetary crises, debt, and fewer paths to their preferred policies of increased federal aid and local taxation, pragmatically accepted business’ alternative vision of development, based on abatements, subsidies, and land banking – longstanding developmental state policies, the next chapters argue, repackaged as conservative or neoliberal through a new vernacular of antigovernment ‘market speak.’<sup>36</sup>

But, in Cleveland’s case, “neoliberalism by default” had a second meaning, too. The city’s 1978 default enabled business leaders, who were explicitly inspired by a Sunbelt model of public-private coordination, to more actively shape the city’s developmental policies. Indeed, the salience of their antigovernment rhetoric was based on a rearguard, producerist discontent and a

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<sup>35</sup> Political Scientist Timothy Weaver has deployed this phrase to describe the process by which Philadelphia’s politicians, white and black, embraced business friendly policies. See, Timothy Weaver, “Ideas, Coalition Building, and Political Development in the City: Urban Policy and Politics in the U.S. and the U.K., 1976-2000,” APSA 2011 Annual Meeting Paper, August 15, 2011, accessed online, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1903162](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1903162). See also, Timothy Paul Ryan Weaver, "Neoliberalism in the trenches: Urban policy and politics in the United States and the United Kingdom" (January 1, 2012). *Dissertations available from ProQuest*. AAI3542903. <http://repository.upenn.edu/dissertations/AAI3542903> Other scholars previously used this phrase to describe a pragmatic rather than ideological embrace of business friendly politics. See, for instance, Steffen Ganghof, “The Politics of Tax Structure,” in Ian Shapiro, Peter A. Swenson, and Daniela Donno Panayides, eds., *Divide and Deal: The Politics of Distribution in Democracies* (New York: NYU Press, 2008).

<sup>36</sup> On this “slippage” between language and practice, see Kenneth Lipartito, “Connecting the Cultural and the Material in Business History,” *Enterprise and Society*, December 2013, Vol. 14, No. 4, 689-90.

pious sense of *entitlement* to state provision. Yet, the ends of public private coordination they advanced differed in important ways from their Southern counterparts.<sup>37</sup>

### *Business Producerism*

In 1967, the Cleveland Chamber of Commerce and a number of industry-specific associations joined forces, as the *Plain Dealer* put it, so the “city’s future business growth can be planned, programmed, and pinpointed from one dynamic headquarters.” Dubbed the Greater Cleveland Growth Association, the new body aimed not only to pursue traditional booster activities, but also to “maintain an active relationship with federal, state, and local government authorities.”<sup>38</sup> The Association recruited the executive director of the Seattle Chamber of Commerce as its full time director. They were particularly impressed with his record in securing the passage of municipal bonds for development projects. Indeed, his arrival in Cleveland was delayed because he was committed to seeing through 13 issues totaling \$820 million. “The city needs all of them,” he told the *Plain Dealer*. “My research on Cleveland shows there are exciting things to be done” there, too.<sup>39</sup> Clevelanders watched closely as Seattle voters passed the bulk of the measures, which included, after Houston’s Astrodome, the nation’s second domed stadium.

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<sup>37</sup> On the importance of waning productivity growth and slowing innovation in speeding deindustrialization, see Barry Bluestone, forward, in Cowie and Heathcott, eds., *Beyond the Ruins: The Meanings of Deindustrialization*.

<sup>38</sup> “A New Force for City’s Growth . . .,” *PD*, December 6, 1967.

<sup>39</sup> “Growth Group Chief to Look and Listen,” *PD*, December 16, 1967.

A *Plain Dealer* reporter sent to Seattle noted the measures that failed did so by slim margins, and Seattle boosters planned to reintroduce them.<sup>40</sup> Businesspeople in Cleveland's perennial rival, Pittsburgh, voiced their envy: the "Growth Association is the most perfect vehicle in the nation to assure a city's welfare and growth . . . Frankly, we Pittsburghers are envious."<sup>41</sup> The Association and its new director augured a bold new course for the city, and its initial reports suggested 1968 and beyond would be a period of "rosy" economic growth.<sup>42</sup>

Such was not to be the case. By 1971, the Growth Association was "in a leadership crisis." Their Seattle whiz kid had seemingly spent more time on the road, boasting about his past success to other Chambers, than in Cleveland developing new projects. This was especially galling because the Association enjoyed an annual budget of \$1.3 million, far exceeding the budget of any other city-based Chamber or Chamber-like organization in the country. Dues paying members threatened to quit if the leadership situation was not addressed. An insider complained, because of the absence of leadership, "everyone is building his own empire and doing what he pleases." The staff of 72 had become a bureaucracy mired by "ineffectiveness," trivial "agendas and the complete lack of leadership at all levels." One Association board

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<sup>40</sup> "Seattle's Thrust and Cleveland's," *PD*, February 15, 1968.

<sup>41</sup> "City Awaiting Leadership for Renaissance," August 20, 1972.

<sup>42</sup> "City's Economic Prospects Rosy," *PD*, January 4, 1968.

member drew the bottom line: “This organization is supposed to keep companies from moving away and entice new ones here. It has done too little in either direction.”<sup>43</sup>

As the strains of deindustrialization withered Cleveland’s industrial base, over the early 1970s its leaders joined other industrialists in expressing mounting frustration, too, with their national lobbying associations’ seeming inability – or unwillingness – to help struggling firms and regions. Local industries across the country were leaving the National Association of Manufacturers in droves. “The organization has been in a period of serious membership erosion,” a NAM consultant reported. “The NAM has been unable to develop a real, consolidated political action group.” NAM hired a pollster to help “redesign its marketing and communications approach to members.”<sup>44</sup> The pollster’s report was striking – marketing was not the issue. Across the board, firms *that were still members* felt the conservative lobbying association only looked out for big, healthy business, wasted time on programs such as “Promoting Concepts of Free Enterprise,” and would be much more useful if it concerned itself with “the health of the national and local economies.” While local businesses toiled in deindustrializing regions, the NAM seemed overly concerned with evangelizing for abstract calls for free markets.

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<sup>43</sup> “Growth Association in Leadership Crisis,” *PD*, September 25, 1971.

<sup>44</sup> Hugh C. Hoffman to William H. McGaughey, May 17, 1973, folder NAM According to the Field Staff, box 3, series IV, National Association of Manufacturers Papers, Hagley Museum and Library, Wilmington, DE [hereafter NAMP].

“Moreover,” the polls found “4 out of 5 members hoped to see NAM get more involved in local politics and in forging local congressional contacts.” Members also called for “Aids and courses on practical politics.” Indeed, the polling consultants found that, while NAM scored reasonably well compared to other *national* business associations, “NAM doesn’t do very well compared to state and local business associations.” Put most clearly, “All but one on the Field Staff say members think NAM is more allied to the needs of big business than small business” and the concerns of local industry, which depend upon healthy local economies.<sup>45</sup> In one revealing case, NAM was staunchly opposed to General Revenue Sharing. As they put it, Nixon’s program would lead to “increased taxpayer burdens for all and weakening of fiscal responsibility and accountability at state-local levels.”<sup>46</sup> In Cleveland, however, as across the country, business leaders were strong supporters of Revenue Sharing and kept a close and optimistic watch on Nixon’s New Federalism reforms.<sup>47</sup> The NAM, like the U.S. Chamber of Commerce, tended to view its members as its political shock troops, not as constituencies to

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<sup>45</sup> NAM According to the Field Staff, July, 1973, folder NAM – According to the Field Staff, box 3, Series IV, NAMP.

<sup>46</sup> Guidelines for Action, NAM Government Finances Department, June 16, 1972, folder Field Division Bulletin (1972), box 3, series IV, NAMP.

<sup>47</sup> Greater Cleveland Forward Status Report, January 31, 1973, Folder 997, Ralph J. Perk Papers, Western Reserve Historical Society, Cleveland, Ohio [hereafter RPP].



serve.<sup>48</sup> Poorly represented in national policy debates, squeezed by inflation and flagging productivity, and faced with new challenges to the legitimacy of their local leadership thanks to War on Poverty-backed minority and poverty groups, many local businesspeople felt their influence and prestige slipping away.

Yet, businesspeople across the country soon recognized that involvement in poverty programming could enhance their reputation as community leaders, perhaps blunt some of the more radical community development efforts afoot, and simultaneously help to prevent riots while steering federal developmental funding toward favored projects. Indeed, the pressure from minority and poor residents' mobilization generated a shift in the way Chambers sought support and legitimacy from their broader communities. Less than a decade earlier, Chambers of Commerce construed poor neighborhoods and inhabitants as blighted eyesores to be removed. The movements of the 1960s, however, expanded the range of constituencies to which Chamber members felt called to appeal, if only symbolically. As one local businessman told *Nation's Business*, a publication of the U.S. Chamber of Commerce, in order to maintain business control of federal subsidies, businesspeople had to recognize that "this war on poverty isn't going to go away. The poor are on the move. I think we'd better get in there and make sure the job gets done

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<sup>48</sup> Report to the Board of Directors on Accreditation and Reaccreditation of Local Chambers, February 2, 1977, folder Board Reports, 1977, box 6, series I, Chamber of Commerce of the United States Records, Hagley Museum and Library, Wilmington, DE (hereafter CCUS).

right.”<sup>49</sup> Moreover, creating voluntary, private sector programs for minority business development or partnering with impoverished neighborhood schools might plausibly deflect invasive federal policies in the future.

Local Chambers more forcefully attempted to frame their work as on behalf of the entire community. By the early 1970s, the U.S. Chamber’s *Newsletter* described how 26 percent of local chamber dollars went to improve the social conditions of local communities. Nearly 300 chambers reported some kind of “socio-economic program expenditures” totaling \$13.5 million, 26% of the \$55 million of programming over all. Not surprisingly, support for vocational education represented the largest investment. Farther down the list were youth activities (7<sup>th</sup>), while support for minority enterprise development ranked last (though, they pointed out, “this type of activity was virtually non-existent even three years ago”). From internal polling, the Chamber concluded, “Business people are willing to pay their local Chambers to take the lead in organizing effective community improvement programs.”<sup>50</sup> Chamber members were piously learning to construe their organizations as representing the interests of a much broader range of constituencies than ever before.

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<sup>49</sup> “War on Poverty Becoming War on Business?” *Nation’s Business*, March 1966, 61, accessed online at Hagley Museum and Library Digital Collections, <http://digital.hagley.org/>.

<sup>50</sup> *Chamber of Commerce Newsletter*, July 1971, box 5, series II, CCUS.

Along with emphasizing investments in the community, the U.S. Chamber urged local affiliates to highlight initiatives that reflected racial inclusion. In Cleveland, for instance, a *Plain Dealer* profile touted the Growth Association's work "to establish and expand minority business."<sup>51</sup> Likewise, the Orlando, Florida Chamber began a program in 1973 that aimed to improve "community communications and understandings." As the Chamber's *Newsletter* put it, "A subcommittee prepared a description of the problems of the black man in Orlando." Then, "A white member of the committee would introduce a black member who told of some personal examples of discrimination in our own community. In most cases, this was the first time any of our white civic clubs had ever heard the problem from a black man."<sup>52</sup> As a result, most Orlando Chamber committees ended up appointing black members. They even filmed a series of televised public service announcements called "Attitudes Are Changing." Another edition of the *Newsletter* reported on the Springfield, Massachusetts Chamber's support of a black citizen's Harambee Holiday. Said one Chamber member, "there was never . . . a week that the black population could call its own."<sup>53</sup> Some efforts to appear inclusive, however, recapitulated highly racialized perceptions of labor as well as divisions between deserving and undeserving members

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<sup>51</sup> "New tasks: Growth Association provides service aimed at improving whole community," *PD*, November 25, 1976.

<sup>52</sup> "'Understanding' . . . A Big Step in Improving Racial Relations," *Chamber of Commerce Newsletter*, October 1973, box 5, series II, CCUS.

<sup>53</sup> *Ibid.*

of the community. In a piece titled “From ‘Wetback’ to Chamber President,” the U.S. Chamber trumpeted Elias “Chino” Valdes’ rise from “agricultural worker picking fruits and vegetables” to small storeowner. The pinnacle was his election as president of the Santa Paula, California Chamber. His “colorful success story” was the toast of the community, where businesspeople celebrated his “rise from ‘wetback’ to his present civic and business stature in the community.”<sup>54</sup>

By 1970, the national Chamber was even urging its local affiliates to get involved in the War on Poverty’s Model Cities, a program in which local business had a “vital stake.”<sup>55</sup> The Chamber emphasized that an “important feature of the supplemental funds is that they can be used in any way a city chooses so long as the city gives emphasis to high-priority actions in the model neighborhood area . . . This gives the city great flexibility and strengthens its response to local needs.” The Chamber enumerated other federal grants that might cover up to 80 percent of the cost of running the programs. The size of the total investment including state and local matching funds, the Chamber wrote, could hit “\$1.5 billion!” In Seattle, representatives of the local Chamber, Boeing, the American Medical Association, and the Weyerhaeuser Corporation helped develop the city’s plan (which included input from 1,700 citizens). Model Cities Seattle created a \$30 million economic development corporation and a \$6 million housing corporation,

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<sup>54</sup> “From ‘Wetback’ to Chamber President,” *Chamber of Commerce Newsletter*, September 1973, box 5, series II, CCUS.

<sup>55</sup> “Model Cities – Outlook for 70s,” *Chamber of Commerce Newsletter*, January 1970, box 5, series II, CCUS.

each run by “stockholders from industry, government, and the neighborhood.” Similarly, in Chicago, “private interests will either sponsor projects or take part in carrying them out,” including two new hospitals and a moderate-income housing development shepherded by the Chicago Mortgage Bankers Association. In Houston, a “prominent” businessman and Chamber leader led the Model Cities citizen participation and oversight board.<sup>56</sup> In getting involved in such programs, however, the U.S. Chamber cautioned that business leaders should overcome their discomfort speaking “before vocal minority groups. One unpleasant confrontation,” they warned, and businesspeople “often lose enthusiasm for continued involvement.” They should stick with it, though, because, “Model Cities offers tremendous potential for revitalizing the social and physical quality of living in slum areas directly.” Most notably, however, it “offers a means for decentralizing Federal aid and for sharing Federal revenues.” Businesspeople could at once burnish their reputation and direct generous developmental state subsidies.

Another good opportunity for businesses leaders to improve their standing in the community was by assisting local and state government to increase public sector efficiency. Gripped by inflation and increasing resistance to taxation, mayors and governors recognized the need to streamline service delivery. Most “municipalities have failed to keep abreast of new management tools and techniques developed since World War II and now used skillfully by

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<sup>56</sup> “Model Cities – Outlook for 70s,” *Chamber of Commerce Newsletter*, January 1970, box 5, series II, CCUS.

corporate management” noted the U.S. Chamber’s publication.<sup>57</sup> As an example of a productive solution, the Chamber described how, in New York City, “a group of businessmen developed and helped implement . . . improvements” for the municipal court system that resulted in “savings of over six million dollars.” In Waterbury, Connecticut, city departments used chamber studies to develop a “program-performance budget” as well as a computer network for the police department. “The chamber of commerce executive is faced with a [*sic*] unparalleled opportunity. The emergence of several factors – citizens fed up with higher taxes, spiraling costs of governmental activities, and rising demands for more and better services – have forced political leaders and government administrators to search for better ways to perform their respective jobs.”<sup>58</sup> By touting businesslike methods in government, business could reassert their legitimacy as community leaders.

Ultimately, the U.S. Chamber led a campaign to help local Chambers reframe business as the forgotten and abused but still-beating heart of their communities. This producerist framing of business’ role in society enjoyed broad resonance in disparate regions across the country. One article described the value of private sector employment to a rural Alabama community. The Chamber found that 100 new factory workers in a struggling county meant the community could support at least one more retail establishment; the community would benefit from \$1.04 million

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<sup>57</sup> *Chamber of Commerce Newsletter*, January 1975, box 5, series II, CCUS.

<sup>58</sup> *Chamber of Commerce Newsletter*, February 1975, box 5, series II, CCUS.

in increased personal income; which in turn could support 68 additional nonmanufacturing jobs.

As the piece concluded, “all economic changes” in Cullman County, Alabama were “attributed to the increase in manufacturing employment.”<sup>59</sup> Another article, titled “A Need to Explain Business,” emphasized business peoples’ sense of their underdog status.<sup>60</sup> “Business has long been misunderstood,” the Chamber publication explained. “It faces growing public hostility. Its enemies are on the rise.” “The declining reputation and image of business needs to be reversed to improve the relation between business and the rest of society so as to maintain and enhance the quality of American life.” Most importantly, “Business creates the economy upon which a community is built. It is important to all citizens that we enjoy a healthy, prosperous economic climate so that our job level and tax base meet our needs.” “But first, people need to know what business is all about. Its story needs to be told.”<sup>61</sup> The U.S. Chamber urged local Chambers to mount a rearguard campaign on behalf of businesses’ essential role as the nation’s true producers – of jobs, of opportunity, and of vital communities.

Many business groups took action. The Independent Business Association of Wisconsin, for instance, drafted a new bill of rights geared to protecting the rights of small business owners,

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<sup>59</sup> “What 100 Extra Jobs Mean to a Community,” *Chamber of Commerce Newsletter*, April 1973, box 5, series II, CCUS.

<sup>60</sup> For a broader argument about white, middle class Americans’ embrace of an outsider cultural perspective, see Grace Elizabeth Hale, *A Nation of Outsiders*.

<sup>61</sup> “A Need to Explain Business,” *Chamber of Commerce Newsletter*, August 1973, box 5, series II, CCUS.

a document that made its way to Professor Newt Gingrich's files at West Georgia College in Carrollton, Georgia. "The American Dream," they began, "is to be an owner of one's own business." Under duress from government regulation and tight capital markets that favored big business, Wisconsin's small businessmen hoped to generate a movement that would lead to the actual passage of their bill of rights. Included were (1) "The right to start, own, and manage a business without government interference. (2) The right to compete fairly for capital with assurance that capital will be available for private use." Also included were rights to "to be governed by reasonable and understandable laws set forth by elected representatives, not by bureaucratic dictate"; "to be innocent until proven guilty by a jury of our peers; not by administrative edict"; and, last but not least, the right "to equal representation with Big Business, Big Labor, and Government on matters relative to America's economic policies." Small and regional business people felt particularly entitled to these rights since, as they put it, the Small Business Community was comprised of 14 million small businesses that represented 100 million people and 58% of all private sector jobs. They noted that 97% of all new jobs in the prior seven years were produced by small and independent businesses.<sup>62</sup>

As a disgruntled member of the Sacramento Chamber of Commerce put it, Americans "seem to be ignorant of the business world and economics . . . They lose track of the fact that

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<sup>62</sup> America's Small & Independent Business Bill of Rights, folder Small Business, box 287, NGP.



business is ‘jobs’, that it is also the shoes and clothes they wear.”<sup>63</sup> Citing a poll of Sacramento

high school and college students, teachers, professors, and production workers, the U.S.

Chamber concluded, “*Americans do not understand their own economic and business systems.*”

Most crucially, many of the Sacramentans polled believed business enjoyed outsized profits

while consumer prices soared and wages stagnated. As a result of such misunderstanding and

frustration, the national Chamber developed a \$500,000 program, “America Needs to Know . . .

More About Business,” that developed curricula for a broad range of constituencies. A program

in Greenville, South Carolina seemed to deliver particularly strong results. Greenville’s Chamber

partnered with Furman University to teach a summer graduate course for Greenville County

teachers called “Teaching Economics.” Before the course, 63 percent of the teachers agreed that

“American business is overly concerned about profits,” and 68 percent felt “Government

controls should be used to stimulate private competition.” Following the course those figures

dropped to 43 and 31 percent, respectively. Moreover, 71 percent (up from 52) agreed that,

“Industries should be allowed to make all the profit they can, while 90 percent (up from 74)

believed in the “Ability of business to meet needs of the country.”<sup>64</sup> The Chamber and its local

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<sup>63</sup> “Americans Do Not Understand Business,” *Chamber of Commerce Newsletter*, March 1974, box 5, series II, CCUS.

<sup>64</sup> IB / EE Idea of the Month, *Chamber of Commerce Newsletter*, November 1975, box 5, series II, CCUS.

affiliates sought to convince misguided Americans that what was good for business was good for their local communities.

### *Business Mobilization in Cleveland*

Cleveland's business leaders certainly felt misunderstood and ignored by the Perk Administration. A year into Ralph Perk's first term, Growth Association members, the *Plain Dealer* reported, were frustrated that Perk "has not yet shown understanding of their problems, and is in a box of [white] ethnic support." Some Association leaders despaired of ever "establishing a real rapport" with the mayor.<sup>65</sup> Indeed, Perk was a tough man for business to pin down. When he wasn't battling the city's employees over pay cuts and mandatory furloughs, he was kibitzing with the ethnic community.<sup>66</sup> In 1972, in the midst of the city's fiscal crisis, Perk traveled to Eastern Europe and Italy, a publicly funded political tour that was covered daily on the front page of the *Plain Dealer*. Emphasizing his populist roots, Perk declared August 16, 1972 "Bowlers' Day" in Cleveland.<sup>67</sup> Sometimes, though, his homespun nature got the better of him. Cutting a ribbon to kick off a steel worker's convention, the Mayor chose to use a blowtorch rather than oversized scissors. His Vitalis-oiled mane went up in flames in front of

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<sup>65</sup> "City Awaiting Leadership Renaissance," *PD*, August 20, 1972.

<sup>66</sup> His "Ethnics" folders in the archives bulge with certificates, letters, invitations, and commendations from these opening months. See, for instance, folder 744, container 50, RPP.

<sup>67</sup> Sam Levine to Ralph Perk, August 17, 1972, folder 779, container 51, RPP.

photographers and TV cameras.<sup>68</sup> Coming on the heels of the Cuyahoga River fire, Cleveland's national reputation seemed up in flames as well.



Perk's developmental staff wasn't much more sophisticated. It took a great deal of time for his Economic Development Department to come together, and much of their initial work consisted simply of inventorying the various community development corporations and neighborhood groups that contacted the department for assistance.<sup>69</sup> A 1975 *Cleveland Magazine* article neatly

summed up the city's strategic planning: "There is absolutely no long-range planning for the use of federal subsidies, or, worse, any check on how they are spent." Between 1974 and 1977, Cleveland was awarded nearly \$50 million in Community Development Block Grants. As a result of its own incompetence and the endemic inefficiencies of the 33-member city council, the Perk administration failed to disperse or contract over \$22 million in Block Grants. Of the \$26 million that was successfully contracted, only \$21 million went to support programs and

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<sup>68</sup> Perk's obituary in the *New York Times* describes him as a "hard-luck Mayor of Cleveland" before describing both events. *New York Times*, April 23, 1999.

<sup>69</sup> Progress Report of the Department of Human Resources and Economic Development, November, 1971 – August, 1973, August 29, 1973, folder 752, container 50, RPP.

services. The other \$5 million was absorbed into the city budget for “administrative” purposes.<sup>70</sup>

Despite having aggressively sought significant federal support, and despite the long line of groups seeking funds, the Administration’s inefficiency profoundly blunted the potential developmental impact of federal support whether for neighborhoods or for business. Finance Director Andrew Putka said he was “somewhat appalled at the Administrative incompetence.”<sup>71</sup>

Frustrated with the Growth Association’s early drift and Perk’s bumbling Administration, the city’s businesspeople elected a new Growth Association chairman. James C. Davis, a brash attorney and partner at Squire Sanders & Dempsey, made a name for himself in the 1960s when he blamed Mayor Locher and the ethnics for the city’s initial decline. Upon his election as Growth Association chairman, Davis “shocked and challenged the business community” by asking for a colossal \$6 million operating budget to implement what he called Greater Cleveland Forward.<sup>72</sup> Davis explicitly based his program on Sunbelt precedents. Forward Atlanta, a public private partnership designed by Mayor Ivan Allen, focused on building service sector office

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<sup>70</sup> “Mayor’s Economic Coordinating Commission: Agenda for Initial Meeting,” undated 1977, folder 995, container 65, RPP; Carla A. Hills, “Federal Fair Housing Policy and Our Ethnic Heritage,” James Cannon Files, folder Community Development, April 27, 1976 – May 10, 1976, box 8, Gerald R. Ford Library [hereafter GRFL]. This habit of shunting Block Grant funds into municipal budgets to cover a much broader and, perhaps, unauthorized range of activities was a nationwide phenomenon. See Eisinger, *The Rise of the Entrepreneurial State*, 108-10.

<sup>71</sup> Andrew Putka to Ralph Perk, June 9, 1972, folder 1691, container 105, RPP.

<sup>72</sup> In 1967, then Cleveland Bar Association President, Davis debated Martin Luther King, Jr. in a public forum at Cleveland’s Human Rights Institute, on the merits of civil disobedience. “Dr. King Organized E. Side for Vote, Jobs, Rent Unions,” *PD*, April 5, 1968.

towers and recreation and entertainment facilities such as the Omni complex that could recapture suburbanizing tax dollars.<sup>73</sup> Likewise, the Growth Association also consulted with the Houston Chamber of Commerce.<sup>74</sup> Growth Association members along with the Cleveland Foundation (on the board of which sat a number of Association leaders), responded enthusiastically by raising \$4.8 million to leverage public investments in business, industry, and infrastructure.<sup>75</sup> Nearly half of the funding would go toward planning and lobbying for an expanded port on Lake Erie that would feature a fantastical new “jetport.”<sup>76</sup> Their research into this latter idea – an airport five miles out in Lake Erie – had been underway since 1969. Davis and his predecessors established contacts with the Federal Aviation Administration, NASA (its Lewis Research Laboratories were at Cleveland), Ohio’s state house, and the Federal Department of Transportation. The Association prepared a feasibility study based on “two years of research by fifty top experts in the fields of ecology, engineering, law and finance.” However, they noted, funding for the project going forward, “must largely come from federal sources.”<sup>77</sup> Davis, the

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<sup>73</sup> On Atlanta Forward, see Numan V. Bartley, *The Creation of Modern Georgia* (Athens, GA: University of Georgia Press, Second Edition, 1990), 225-6.

<sup>74</sup> “Council on the Future is Organized in Cleveland,” *Chamber of Commerce Newsletter*, April, 1971, box 5, series II, CCUS.

<sup>75</sup> “To Those Interested in The Future of Greater Cleveland,” Greater Cleveland Forward Status Report, January 31, 1973, folder 997, container 65, RPP. See also, “Cleveland Awaiting Leadership for Renaissance,” *PD*, August 20, 1972.

<sup>76</sup> Greater Cleveland Forward Status Report, January 31, 1973, folder 997, container 65, RPP.

<sup>77</sup> James C. Davis to John A. Volpe, Secretary of Transportation, Department of Transportation, December 2, 1971, folder 745, container 50, RPP.

*Plain Dealer* wrote, was “determined to bridge the gap between the business and political communities.”<sup>78</sup> Cleveland’s business leaders sought institutionalized public private partnerships explicitly based on a Sunbelt model of private sector led developmental state building.

To do so, Davis established the Growth Association’s Governmental Affairs Division. In contrast to the Perk Administration, the Growth Association’s research and findings benefited from a clarity of purpose: reinvigorating downtown through commercial development, service sector jobs, and stimulating supportive infrastructure and public service improvements. One report, for instance, argued for an expansion of Revenue Sharing to enable local government to cover the costs of infrastructure improvements. The “state and federal governments,” Cleveland’s businesspeople argued, “simply must return large portions of the taxes collected either in the form of cash grants or assumptions of financial responsibility for services.” They advocated transferring costly and, as far as business growth was concerned, immaterial, functions of local government to county, regional, or state authorities.<sup>79</sup> The Government Affairs branch also studied the intergovernmental transfers of funds, both in terms of tax and welfare payments out of the city and federal grants coming into the community. Based on these figures and the city’s financial circumstances, the Association advocated raising the city’s income tax.<sup>80</sup>

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<sup>78</sup> “City Awaiting Leadership Renaissance,” *PD*, August 20, 1972.

<sup>79</sup> Greater Cleveland Growth Association Governmental Affairs Division Taxation Department Policy Statement, February, 1973, folder 752, container 50, RPP.

<sup>80</sup> Greater Cleveland Forward Status Report, January 31, 1973, folder 997, container 66, RPP.

Davis doggedly peppered the mayor with correspondence, sometimes with praise, often with rebukes, but always with clear preferences for policy changes, seeking reassurance that Perk would move in favorable directions.<sup>81</sup> When it leaked, for instance, that Perk's Planning Commission was exploring possibilities for expanding the city's publicly-owned electric utility, Muny Light, to the competitive detriment of its privately held rival, Cleveland Electric Illuminating, Davis admonished the Mayor. If the city proceeded, it would be "destructive of general business confidence in the administration and [would] tend to make it more difficult to achieve the cooperation between the administration and the business community which you and I both desire." Davis was confident, however, that Perk would "take occasion to make it clear that this was simply a planning exercise by the Commission and does not reflect the official views of the administration." Davis expressed his hope that he would not need to take the issue public.<sup>82</sup> Perk disavowed the plan. On another occasion, Davis suggested the Mayor work harder "to persuade the business community" that he understands "business problems."<sup>83</sup>

Davis sought to provide the administration with a strategic vision for growth. On top of his list was developing a more favorable funding relationship with the federal government in

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<sup>81</sup> On inducements to keep specific businesses in Cleveland, see James Davis to Ralph Perk, August 30, 1972; on labor relations, see James Davis to Jackie Presser, cc to Ralph Perk, October 23, 1972; on improving coordination between the city and business, see James Davis to Ralph Perk, November 1, 1972; on city management of ongoing infrastructure improvements, see James Davis to Ralph Perk, February 7, 1973, all in folder 745, container 50, RPP.

<sup>82</sup> James Davis to Ralph Perk, May 3, 1972, folder 753, container 50, RPP.

<sup>83</sup> James Davis to Ralph Perk, December 18, 1972, folder 779, container 51, RPP.

general and with HUD in particular.<sup>84</sup> Because some of Perk's key staffers had become members of the Growth Corporation, slowly but surely, the Association's ideas began to trickle over to the Mayor's office. A first sign of improved relations between the public and private sectors came when Perk organized an Economic Development Advisory Committee. Davis, however, was not invited to participate, a sign, perhaps, that Perk resented Davis' aggressive entreaties. Nevertheless, Perk was beginning to develop a formalized structure that incorporated business interests.

While many of Georgia's business leaders focused on modernizing industrial production methods through technology innovation and partnerships with Universities, Cleveland's developmental emphasis, driven by bankers and lawyers, was geared toward bricks and mortar developments for white-collar business interests. In 1973, the Growth Association funded a visit to Cleveland by high-priced San Francisco architect Lawrence Halprin. A guru of modern planning's new urbanism movement, Halprin was at the vanguard of using recreation and mixed-use public space to lure suburbanites and their tax dollars back into cities. Keying on the city's unique river and lakefront, Halprin was optimistic. "What I'm really good at," he said, "is getting things built."<sup>85</sup> Halprin met with Perk and underscored the Growth Association's efforts to sell the mayor on downtown investment. It worked. In tandem with the Growth Corporation, the

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<sup>84</sup> James Davis to Ralph Perk, November 29, 1972, folder 779, container 51, RPP.

<sup>85</sup> "Halprin begins two-day study," *PD*, February 13, 1973.



Growth Association, and the Greater Cleveland Associated Foundation – all of which were offspring of the original Chamber of Commerce – the city invested several hundred thousand dollars in Block Grants in Halprin’s plan.<sup>86</sup> The city would bank its future on redeveloping its downtown to generate new streams of tax revenue. Over the course of 1974, the key advocates of this plan formed the Downtown Cleveland Corporation. Overseeing its Government and Legal committee was Jim Davis, who stepped down from his post at the Growth Association to focus on implementing the new plans.<sup>87</sup>

Like other Chambers across the country, the Growth Association developed its plans in consultation with experts at public institutions of higher education. Following Gerald Ford’s failed reelection bid, his Block Grant director moved to Cleveland to assume a new chair in urban planning at Cleveland State University. There, David Meeker, the central villain for the nation’s neighborhood groups who mobilized to protest rampant abuse of Block Grant funds, collaborated with Cleveland’s philanthropic organizations and business interests on a growth plan.<sup>88</sup> Meeker more clearly and bluntly articulated the Ford Administration’s goals for Block Grants: preserving communities that had not yet fallen prey to the urban crisis. Established neighborhoods and business districts should be “enhanced so that Cleveland will not become a

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<sup>86</sup> Halprin Plan, Folder 795, container 52, RPP.

<sup>87</sup> Ibid; “Downtown revitalization priorities are established,” *PD*, December 11, 1975.

<sup>88</sup> On neighborhood groups’ activism against cities’ misuse of block grants, see “Developmental State,” ch. 5.

Black ghetto of lower income classes,” Meeker argued. “Each neighborhood,” he wrote, excepting the worst off, “should have an opportunity to develop in a manner which will express the wishes of the people of the area.” “Triage,” the term they used for policies that threw good money after bad on neighborhoods and citizens who were, they believed quite literally, beyond the pale, were poor investments of limited public resources.<sup>89</sup> Indeed, the City’s Planning Commission agreed, setting a policy in which Block Grant money would “focus primarily upon those areas which are in the initial, not final stages of deterioration.”<sup>90</sup> Moreover, as Meeker put it, economic growth centered on downtown revitalization was the only way forward: “the city is very fortunate to have a new cornerstone in its economic base in the presence of global management headquarters and related services.” Meeker emphasized the “combination of this potent economic base with Cleveland’s cultural assets” could offer the “the city . . . the potential to become a truly major city in the network of international development.”<sup>91</sup> In order to save the city as a whole, local leaders believed they had to reorient federal antipoverty development dollars to areas not yet in poverty.

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<sup>89</sup> Proposed Plan for Neighborhood Revitalization, Recommendations from Workshops on Cleveland Neighborhoods and Housing, Cleveland State University, 1976-77, folder Cleveland State University – Institute of Urban Studies, 1977-1978 (2), box 5, David O. Meeker Papers, GRFL.

<sup>90</sup> “A Community Approach to the Development of Cleveland,” Institute of Urban Studies, CSU, folder Cleveland State University – Institute of Urban Studies, 1977-1978 (2), box 5, David O. Meeker Papers, GRFL.

<sup>91</sup> “A Community Approach to the Development of Cleveland,” Institute of Urban Studies, CSU, folder Cleveland State University – Institute of Urban Studies, 1977-1978 (2), box 5, David O. Meeker Papers, GRFL.

The city's ongoing financial crisis, too, created opportunities for the Growth Association to press its influence on City Hall. In the early summer of 1974, the businesspeople submitted a report to Perk and the City Council outlining the city's dire financial situation. Unless there was a major federal windfall, the city would be \$18 million in the red in 1975, the worst financial year for the city since Carl Stokes' last in office. Perk's gimmicks and short-term measures – privatizing the sewer system and 'repurposing' federal grants to cover operating expenses – along with General Revenue Sharing only papered over what was fast becoming an intractable budgetary crisis. Making matters more difficult, in 1974, voters emphatically defeated the Growth Association-backed income tax hike. Meanwhile, the depreciation of Cleveland's property values sent city property tax receipts tumbling from \$41.4 million in 1969 to \$23.2 million in 1976.<sup>92</sup> While tax receipts were drying up, city expenses soared as inflation gnawed away at its purchasing power. Perk's economic team refuted the Growth Association's figures, but by 1975 it was apparent that their report had been correct. The city's FY1975 budget was set at \$126 million, which included \$76.4 million for the fire and police departments alone; city tax receipts would only bring in \$74.1 million. As Perk put it, "If I were not able to get continued federal funds, this would be a one-department town." When confronted with the prospect that the

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<sup>92</sup> "U.S. Funds: Catch-22 for city budgets," *PD*, April 18, 1976.

federal government, too, needed to do some belt-tightening, Perk argued: “Those (federal dollars) belong to the people.”<sup>93</sup>

In January 1975, Perk testified before the Congressional Subcommittee on Intergovernmental Relations and bemoaned the plight of cities like Cleveland. He begged for “immediate federal help to keep our great metropolitan areas alive.” As he put it, the people of Cleveland “are demanding a greater share of their state and federal taxes be returned to them.

I am asking . . . that the voice of the people be heard – that increased aid to the local governments be the keynote of federal spending so that we as city administrators can provide the basic services to our citizens without further burdening their ever-diminishing purchasing power with higher taxes.

Each time he ran for office, Perk was sensitive to the pressures of inflation and pledged to keep taxes low while delivering “all the necessary services the people need and deserve.”<sup>94</sup> The massive redistribution of federal funds to the city had made his high service / low tax conservatism possible, but, as the federal government faced its own mounting fiscal crunch, generous federal aid seemed less and less justifiable to members of Congress – who took the blame for outsized federal expenditures, but, in Revenue Sharing and Block Grants, could reap few of the political rewards that came from administering the programs. Even if federal funding

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<sup>93</sup> “City taxes couldn’t support safety forces; aid pays bills,” *PD*, January 17, 1975.

<sup>94</sup> Ralph Perk, Testimony before the Subcommittee on Intergovernmental Relations, January 30, 1975, folder 1536, container 96, RPP.

levels remained stable, the Growth Association forecast a deficit of \$50 million by 1980. But, as inflation reshaped the nation's politics, there was little reason to believe federal aid levels would remain stable. Indeed, Congress sat on revenue sharing's reauthorization package for months over 1975 and early 1976, debating the merits of a program that, in one hotly politicized example, sent \$16 million to Houston despite the fact that the city was \$16 million in the black.

Faced with the desperate need to offer a clear developmental path forward, in late 1976, Perk fully acquiesced to Davis and Meeker's plan for downtown, service sector, and entertainment-based development. In adopting this plan, a crestfallen Perk delivered a speech that would make President Carter's 1979 'malaise' speech seem like a pep rally. He painted a dire picture in hopes of justifying to his ethnic base – the group to which he had stoked populist mistrust of big business, calling for business to pay their fair share in taxes – a new partnership between his Administration and Davis' business leaders that advanced an aggressive system of tax abatements. Perk hoped to convince his working class supporters that their fate as well as that of their city was inextricably linked to the fate of the city's businesses. Focusing on the needs of the job producers was the best way forward. Gazing into a television camera, Perk explained, "Cleveland has a disease . . . It is mentally crippling, it is spiritually crippling, and it is psychologically crippling . . . I do not know its medical terminology, but in every-day language, that disease is better known as an inferiority complex." In order to overcome "our almost

desperate urge to tear our city down” – “this urban masochism” he called it – the Mayor proposed taking the city’s economic development objectives in markedly new directions.

The “Twenty Point Action Program” he laid out had all the hallmarks of Jim Davis’ plan, borrowing a bit from Meeker’s model, too. It included creating a land bank (the legislation for which was written by Davis’ firm), the creation of “an equitable tax-abatement formula” (the legislation for which was being written by Davis’ firm), the creation of a “Businessman’s Advisory Council” (to be chaired by the CEO of National City Bank, which would receive one of the first abatements), and the creation of a city Economic Growth Commission “to pull all these points together, and to serve as the central force to develop a series of long-range economic growth plans.”<sup>95</sup> When the Growth Commission debuted – under a new moniker, the Mayor’s Economic Coordinating Commission – Jim Davis was appointed head.<sup>96</sup> Sohio (Standard Oil of Ohio, now British Petroleum) quickly approached the city about acquiring land on Public Square across from the Terminal Tower to build a new corporate headquarters. Davis and his law firm led the negotiations, with Davis advising the city and his firm’s lawyers advising Sohio.<sup>97</sup> Sohio

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<sup>95</sup> Mayor’s Remarks, Land Use Conference, Case Western Reserve University, December 4, 1976, folder 997, container 65, RPP.

<sup>96</sup> News Release Announcing Formation of Mayor’s Economic Coordination Commission, July 26, 1977, folder 995, container 65, RPP.

<sup>97</sup> National City Bank also requested and received tax abatements for a new headquarters on Ninth Street. There was outrage among the city’s more liberal neighborhood groups including the BWCC who pointed out that For more on this trend in Cleveland and across the nation, see Hearings Before the Senate Committee on Banking, Housing, and Urban Affairs, June 14, 1976.

won a \$21 million abatement that would be paired with significant Block Grant-based commitments for infrastructure and site improvements, too.<sup>98</sup>

Beyond reneging on his fiscally conservative populism, the Perk Administration's legacy was an economic planning department in shambles and a city budget that was declared unauditible in 1977 by Price Waterhouse and again in 1978 by Ernst and Ernst. A Brookings study found that the city's published data for Block Grant expenditures "was greatly at variance with financial reports filed with the federal government."<sup>99</sup> Brookings found that around one-third of the city's general operations budgets (not including the 'enterprise' operations) was dependent upon federal grants. For FY 1978 alone, the federal government contributed \$67.5 million to the city's operating budget, while local property taxes for homes and businesses accounted for only \$27.4 million; wage taxes totaled \$66.8 million. Of the city's human resources and economic development departments, the Brookings report concluded, "Each department is truly a creature of the federal government." By the end of the decade, Cleveland was receiving on average 150 percent of its annual local tax effort in intergovernmental transfers.<sup>100</sup> And, rather than lay out the facts in an appeal to raise taxes, a subsequent audit completed by Ernst and Ernst found that Perk misused \$52 million in municipal bonds legally

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<sup>98</sup> On abatement politics in Ohio, see generally, Alexander P. Lamis, ed., *Ohio Politics* (Kent, OH: Kent State University Press, 1994), 105-16.

<sup>99</sup> Tompkins, et al., 25.

<sup>100</sup> Tompkins, et al., 27.

bound to capital projects (e.g., for making improvements to Muny Light), instead routing the funds into the general budget to pay for basic services.<sup>101</sup>

Making matters worse, a U.S. District Court judge found Muny Light delinquent for past payments to Cleveland Electric Illuminating. The judge required the city to pay CEI \$9.5 million. Earlier in the decade, Muny invested in badly needed infrastructure improvements that necessitated temporarily closing its external sources of wholesale power, forcing it to buy from CEI. As the Nuclear Regulatory Commission's Atomic Safety and Licensing Board later found, during that time CEI systematically undermined Muny Light by imposing "severe operating problems" that created blackouts in Muny's system. The regulatory commission also found that CEI charged Muny rates three times higher than national wholesale averages. As a result, the public utility ran deeper deficits as the 1970s wore on. The Perk Administration quietly filed an antitrust suit against CEI, but, by the end of his third term, as the city's financial crisis continued to worsen, the Mayor and CEI at last struck a deal to sell Muny and to drop the antitrust suit (a win-win for CEI, which had long coveted Muny's market). For the first time, an ordinance to privatize Muny Light with a real chance at passage was introduced before the city council. The measure called for a \$158 million sale price with \$38.5 million paid up front and the balance paid out at \$4 million per year for 30 years. When an independent appraiser set a much lower

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<sup>101</sup> Todd Swanstrom, "Urban Populism, Fiscal Crisis, and the New Political Economy" in Keating, et al, eds., 101.



value for the public utility, however, the City Council tabled the plan. Muny remained public in early 1977. Without the new infusion of cash, however, the Perk Administration issued over \$25 million in new short-term bonds in its final year alone.<sup>102</sup>

The 1977 mayoral election was a referendum on Perk's efforts to sell the public utility and its use of tax abatements. Democratic Councilman Dennis Kucinich, once a Perk supporter, made opposition to Muny's attempted sale the populist centerpiece of his campaign.<sup>103</sup> He claimed there was a "shadow government" in Cleveland, led by CEI, its bank Cleveland Trust, major manufacturing interests, and the city's two most important law firms, Jim Davis' Squire Sanders and Jones Day. "They meet every day in the Union Club," Mayor Kucinich told a reporter, pointing out that "they used to meet right here, in [the mayor's] office."<sup>104</sup> Indeed, having flipped on his commitment to attack big business' tax advantages, Perk had lost all legitimacy. In June 1977, Active Clevelanders Together, Kucinich supporters, coordinated a Saul Alinsky-inspired demonstration at National City Bank. Echoing the 1976 National Peoples' Platform action in Washington, they piled debris on the sidewalk in front of the bank's

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<sup>102</sup> The Role of Commercial Banks in the Finances of the City of Cleveland, Staff Study by the Subcommittee on Financial Institutions Supervision, Regulation, and Insurance of the House Committee on Banking, Finance and Urban Affairs, June 1979, 1, PAL.

<sup>103</sup> For a thorough account of Kucinich's administration and a piercing analysis of the city's "growth politics" and its relationship with private business in the 1970s, see Todd Swanstrom, *The Crisis of Growth Politics: Cleveland, Kucinich, and the Challenge of Urban Populism*.

<sup>104</sup> Larry Kramer, "'People Power vs. 'Shadow Government,'" *WP*, February 13, 1979.

headquarters, calling attention to National City's unwillingness to lend within the city despite the massive abatement the Perk Administration had just delivered. Nearly 22% of National City's deposits came from within the city, but the bank only lent 5 percent of its mortgages there.<sup>105</sup> The perception that city government – black and white officials alike – had sold out to big business opened the door for a new populist candidate. In 1977 Dennis Kucinich focused not on divisive social or racial issues of the past, in which he had played a supporting role, but instead on the common economic issues facing working and poor people across the city's neighborhoods.

### *The Last Gasp of Urban Populism*

Dennis Kucinich is often thought of today as a political curiosity, but in the late 1970s the nation's retreating left cautiously hailed Kucinich's mayoralty, along with Ralph Nader's consumer movement, as a glimmer of hope.<sup>106</sup> As *The Nation* put it in 1979, Kucinich "may well signal a new era in American politics" driven by young people calling for "a program of economic justice and economic democracy."<sup>107</sup> Dubbed the "New Urban Populism," the 31 year

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<sup>105</sup> "2 of city's top banks lowest in home loans," *PD*, June 25, 1977.

<sup>106</sup> On Ralph Nader and business politics nationally, see, Benjamin Waterhouse, "The Corporate Mobilization Against Liberal Reform: Big Business Day, 1980," in Julian Zelizer and Kim Phillips-Fein, eds., *What's Good for Business: Business and Politics Since World War II* (Oxford University Press, 2012)

<sup>107</sup> "The Cleveland Story: How the Banks Foreclosed Dennis Kucinich," *The Nation*, January 20, 1979.

old Kucinich's brand of politics was fiery, anticorporate, redistributionary, and, thanks to his intemperate, impetuous, and often incoherent style, wholly unsustainable. The issues that symbolized Ralph Perk's turn away from populist politics – abatements and his proposed sale of Muny Light – dominated Kucinich's two chaotic years in office. Having won the election promising to keep Muny Light public and to turn off the abatement system – issues that appealed to groups like the Buckeye Woodland Community Congress as well as many of Perk's erstwhile ethnic supporters – Kucinich, dubbed by local media “the boy mayor,” generated staunch resistance from the city's increasingly well organized business interests who had at last gained Perk's compliance in their developmental vision. In one of his first moves as Mayor, Kucinich vetoed Standard Oil of Ohio and National City Bank's abatements. Despite the fact that the City Council overturned his veto, Kucinich repeated his campaign theme: “business must pay its fair share of taxes.”<sup>108</sup> And, by freezing federal funds for corporate projects and halting infrastructure improvements tied to the developments, Kucinich effectively quashed the Sohio and National City buildings (they were completed under his successor).<sup>109</sup> The mayor also blocked public subsidies for a new ore dock for Republic Steel, arguing the company pay for the development itself. In this case, at least, he was vindicated.

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<sup>108</sup> Ibid., 24.

<sup>109</sup> On abatement politics with particular attention to Cleveland, see Scott Cummings, *Business Elites and Urban Development: Case Studies and Critical Perspectives* (Albany: SUNY Press, 1988).

Kucinich and his city planner, Norman Krumholz, who had also worked for Perk after having been brought to the city by Stokes, argued that abatements were a political rather than economic tool, robbing the city's neighborhoods of valuable capital while providing nominal economic support to the city's businesses in return for their political cooperation. Rather than a useful economic inducement, then, they argued abatements were simply political signals of an administration's pliability. In planning circles, Krumholz was a well known and leading advocate for what he called "equity planning," a strategy for long-term development for declining cities that focused on shoring up services for lower and middle class residents without pandering more than necessary to business interests or suburban commuters.<sup>110</sup> As political scientist Todd Swanstrom describes Krumholz's program, "The solution" to the urban crisis "no longer centered on enticing investment or the middle class into the city . . . but improving the choices of those who had remained behind." Krumholz and his planning team "did not see equality as a leveling process; rather," like Ralph Nader and new generation of liberals, "they favored competition and choice in the marketplace." For instance, though Perk had sold the city transit system to a regional authority, Krumholz supported the measure as a way to provide urban residents better access to suburban areas, increasingly where many of the city's jobs were

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<sup>110</sup> The foundational document for "equity planning" was Krumholz's paper for the 54<sup>th</sup> Annual Conference of the American Institute of Planners. Krumholz and Ernest R. Bonner, "Toward a Work Program for an Advocate Planning Agency," October 25, 1971, City Planning Commission, City of Cleveland, PAL.

relocating.<sup>111</sup> In his campaign, Kucinich cited Krumholz's reports. After his election, however, his political battles overshadowed judicious planning, and he became a one-note politician, confrontational and bombastic. As Krumholz later ruefully noted, while he and Kucinich were ideologically aligned, he had a more fruitful relationship with the Republican Perk.<sup>112</sup>

Kucinich had been elected as the candidate of the neighborhoods, but his Administration soon ran afoul of his core constituency, members of which were becoming increasingly frustrated, resorting to excessive measures. Indeed, the Perk years had seen vibrant activism but little policy follow-through, and neighborhood groups in Cleveland, as across the country, were beginning to fragment.<sup>113</sup> An early and typical confrontation pitted Kucinich and Citizens to Bring Broadway Back (CBBB). The neighborhood group had petitioned the Perk Administration for months to demolish an abandoned home that was frequently the site of small fires. When the Kucinich Administration failed to act on to their request, the Citizens demolished the structure and hauled a truckload of burnt wood to the Community Development department. As one member recalled, "We went into the building carrying all this charred wood . . . , we're dropping

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<sup>111</sup> Norman Krumholz, "Government, Equity, Redistribution, and the Practice of Urban Planning, in Keating et al, *Cleveland: A Metropolitan Reader*.

<sup>112</sup> Author's interview with Krumholz, January 4, 2011, Cleveland, Ohio. Other urban planners were buffeted by the strains of developing political constituencies and political clients. In Philadelphia, for instance, planners' vision for a major urban renewal project was drowned out by various interests political jockeying. See Guian A. McKee, "Blue Sky Boys, Professional Citizens, and Knights-in-Shining Money: Philadelphia's Penn Center Project and the Constraints of Private Development," *Journal of Planning History*, 2007 6: 48.

<sup>113</sup> Teaford, *Rough Road to Renaissance*, 244.

ashes and junk everywhere, and [the community development director] started screaming, ‘Call the police, call the police . . . She was literally shoving people out of the office.’”<sup>114</sup> The neighborhood activists called confrontational actions like these “hits.” This hit was just the first of many they and other groups carried out in the increasingly desperate late 1970s. Some hits even took place after hours at city officials’ homes.<sup>115</sup>

Meanwhile, just four months into his administration, Kucinich triggered a recall election when he impetuously fired the police chief he had hired away from San Francisco. Among other complaints, Chief Richard Hongisto (who had been known in California as the “hippie sheriff”) publicly accused Kucinich of political meddling.<sup>116</sup> Following Hongisto’s accusations and without having a prior conversation with his aides or notifying Hongisto, Kucinich suspended the Chief during a live television news conference – as a shocked Hongisto stood at his side. Kucinich fired him the next day. By the end of the next month, May 1978, the Mayor’s opponents had collected the necessary signatures for a recall election. On August 13, 1978, Kucinich survived by a mere 236 votes out of 120,300 cast. Kucinich correctly suspected that the city’s business leaders, particularly Brock Weir, the head of Cleveland Trust bank, had played a

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<sup>114</sup> Quoted in Cunningham, 73.

<sup>115</sup> Ibid., 73-7.

<sup>116</sup> “Richard Hongisto, 67; Ex-Sheriff in San Francisco Had Turbulent Career,” *LAT*, November 6, 2004.

central role in funding the recall effort. Indeed, the majority of funds supporting the campaign actually came from suburban sources, a subsequent *Plain Dealer* investigation found.<sup>117</sup>

Cleveland's businesspeople were mobilizing to take a more aggressive role in city politics, a stance advocated at an April 1978 Growth Association seminar. Over 300 Association members attended a day of workshops jointly sponsored by the U.S. Chamber of Commerce, the National Association of Manufacturers, and the National Federation of Independent Business. Representatives of the Sunbelt were prominently featured. Speakers from the Center for the Study of Private Enterprise at the University of Southern California worked with businesspeople on "programs by which businessmen could influence the political process and encourage their employees and shareholders to do the same." Virginia Senator Harry F. Byrd keyed the event, and urged Cleveland's businesspeople to make their voices heard by politicians. Corruption, waste, and mismanagement were rampant in government, he said, because "the commodity in shortest supply" is a business-like "common sense."<sup>118</sup> Shortly after the seminar, Weir informed the city that Cleveland Trust and perhaps other banks would likely not refinance the city's short-term debt. As the city's finance officer recalled, Weir "declared that 'default might not be bad for

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<sup>117</sup> "Suburbanites top list of donors backing Kucinich recall," *PD*, September 28, 1978.

<sup>118</sup> "Make views heard Sen. Byrd advises businessmen here," *PD*, April 15, 1978.

the City’ because it would, he felt, force the City to address its long term financial problems.”<sup>119</sup>

Thanks in part to Weir’s threat, in June, Moody’s downgraded the city’s credit rating. It did so again in July.

Undeterred and seemingly emboldened having survived his recall, Kucinich issued an incendiary press release. “The banks,” he proclaimed,

represent raw economic power, and some people advise me to cooperate more with them. This might have been good advice decades ago, but today Cleveland’s largest banks seem committed to destroying the city. They won’t buy Cleveland’s bond offerings and they continue their systematic looting of Cleveland’s financial resources in the pursuit of maximum profits elsewhere in this country and overseas.

The boy mayor pivoted to an attack on tax abatements and allegations of corporate collusion:

Bankers are among the strongest supporters of tax abatement. Why? . . . the boards of directors of the major banks are dominated by the very same corporate executives who seek the tax breaks from the city. The banks say that the public must pay the price for economic development, take the risks, and so on, to insure the profit margins of the banks and corporations won’t be disturbed. It’s time to turn the tables on this sort of self-serving logic. Those who are in a position to gain the most, the banks and corporations, should be required to take the risks.<sup>120</sup>

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<sup>119</sup> The Role of Commercial Banks in the Finances of the City of Cleveland, Staff Study by the Subcommittee on Financial Institutions Supervision, Regulation, and Insurance of the House Committee on Banking, Finance and Urban Affairs, June 1979., 27, PAL.

<sup>120</sup> Ibid., 31-2.



As a U.S. House report on the situation in Cleveland frankly noted, “The press release is illustrative of the depth of the difference between the Mayor and the banks.”<sup>121</sup>

Meanwhile the deteriorating situation between neighborhood groups and the Kucinich Administration came to a head at a November 1978 Neighborhoods Conference. Ten neighborhood groups, comprised of 700 Clevelanders, and representatives of the Kucinich Administration hoped to put the “hits” of the past behind them and seek compromise and consensus. The Conference was a disaster from the start. Community Development Director Betty Grdina said she would not take questions from the neighborhood groups until several other Administration members, who were not on the announced agenda, were allowed to speak. Kucinich’s chief of staff took the podium and read procedures from a yellow legal pad detailing “how you’re going to have to behave if you want to come down to city hall and see us.” Immediately, the groups started chanting, “You work for us! You work for us!” Diane Yambor of the Buckeye Woodland Community Congress, a Conference organizer, took the microphone from Kucinich’s aide, and a struggle ensued on stage for control of the mic. Fannie Lewis, the veteran of neighborhood battles in Model Cities and a Kucinich supporter, mounted the stage, too. As an attendee recalled, “Lewis walked up and hit Agnes Jackson [of the BWCC] over the head with the microphone. You heard this big ‘bong’ go over the PA system. Sarah Turner [also

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<sup>121</sup> Ibid.

of BWCC] picked up a chair and was going to hit Fanny (*sic*) over the head . . . at which point one of the organizers took the chair away, and Sarah grabbed another one, and that's when all hell broke loose." The Kucinich Administration members fled the hall. The Administration immediately severed connections with the Buckeye Woodland Community Congress, Citizens to Bring Broadway Back, and the St. Clair Superior Coalition.<sup>122</sup> Despite having employed Saul Alinsky's organizing and confrontational tactics to get elected, as Kucinich put it, "Alinsky was never on the inside."<sup>123</sup>

A month after the disastrous conference, the Congress petitioned the Mayor to send Block Grant funds directly to neighborhood groups, a call groups across the country were making to the Carter Administration as well. In response, Betty Grdina published the Administration's incredulous response in a *Plain Dealer* op-ed. Without naming specific groups, she first cited certain neighborhood organization's irresponsible confrontational tactics to argue against decentralization of Block Grant funds. Meanwhile, less confrontational groups, she wrote, were at risk of being subverted and coopted (if they hadn't already been) by powerful Cleveland business interests who steered grants from the business-affiliated Cleveland and Gund Foundations. "Republic Steel," she wrote, "is involved in the attempt to subvert a neighborhood group. The Growth Association is now showing interest in neighborhood groups. Believe it or

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<sup>122</sup> Cunningham, 77.

<sup>123</sup> Swannstrom, 194-5, 122.

not, Cleveland Trust's Brock Weir has also come out 'in favor' of neighborhood groups."<sup>124</sup>

These groups, she charged, were unelected representatives of the neighborhood, susceptible to coercion by the city's business interests. Block Grants were best left to the Administration.

Indeed, as Kucinich himself told the *Plain Dealer* early in his administration, "Activist community groups are unnecessary with a mayor who understands their needs."<sup>125</sup> While Kucinich had campaigned for a stronger citizen role in Block Grants, once in office, the "populist" Administration moved to tightly control their deployment.

If Kucinich's relationship with the neighborhood groups, his core constituency, was strained, his relationship with his stated adversary, business, had completely deteriorated. His confrontational politics were most on display during the crisis that resulted from his battles with CEI and Cleveland Trust over the fate of Muny Light and his negotiations with the banks over the city's short term debt obligations racked up by the Perk administration. Perk's willingness to work with banks and business ensured that Cleveland Trust and the city's other lenders rolled over short-term debt obligations. Kucinich, however, killed the sale of Muny to CEI, and the mayor noisily promised to renew the city's antitrust litigation against the private utility.

Simultaneously, despite looming debt obligations, he targeted the banks: "We must bring

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<sup>124</sup> Quoted in Randy Cunningham, "Democratizing Cleveland: The Rise and Fall of Community Organizing in Cleveland, Ohio 1975-1985" (2007), 79. Cleveland Memory. Book

17. <http://engagedscholarship.csuohio.edu/clevmembks/17>

<sup>125</sup> Cunningham, 73.

democracy to the banks,” he liked to say.<sup>126</sup> On other occasions he alleged, “Corporate Cleveland is trying to overthrow the local city government.”<sup>127</sup> Most bombastically, Kucinich pilloried the city’s “white collar criminals.”<sup>128</sup> As the *Washington Post* put it, “Since his election in 1977, Kucinich has made enemies of the newspapers that endorsed him, the city council, the city’s largest bank and most business executives. In a town that boasts 33 national corporate headquarters and after New York and Chicago, is home to more of the nation’s top 1000 corporations than any other metropolitan area, that’s a lot of enemies.”<sup>129</sup> By railing against corporate takeover, however, Kucinich invited just such an outcome.

Energized by these public pronouncements, Kucinich headed into parallel negotiations with CEI over the antitrust litigation and Cleveland Trust over the city’s debt. The companies shared key board members and legal council, and it would hardly take a conspiracy theorist to see how working together in negotiations with the Mayor was in the companies’ mutual interest. Indeed, subsequent reporting by the *Washington Post* and other outlets strongly suggested just such a situation.<sup>130</sup> A later House investigation triggered by Kucinich offered a unique glimpse into just how overlapping were the boards of Cleveland’s major businesses:

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<sup>126</sup> Swantsom, 123.

<sup>127</sup> *WP*, February 13, 1979

<sup>128</sup> *The Nation*, January 20, 1979.

<sup>129</sup> Quoted in *The Role of Commercial Banks in the Finances of the City of Cleveland*, 4, PAL.

<sup>130</sup> “Cleveland Default Linked to Effort to Unseat Mayor, *WP*, July 17, 1979.

The six banks have 179 common directorships with 40 Cleveland corporations. During 1978, the banks and CEI shared 8 directors; the banks hold 1,799,445 shares of CEI stock in their trust departments; CEI has \$72 million in lines of credit from Cleveland banks; both Cleveland Trust Company and National City Bank manage major employee funds of CEI and those relationships are further enhanced by common club, business association and social contacts.<sup>131</sup>

Lending credence to Kucinich's allegations of collusion, during the fall of 1978, bank executives and Loan Review Committee members (which included non-banking businesspeople such as leading Jones Day corporate attorney Richard Pogue) removed decisions about city debt and lending from the commercial banking level at Cleveland Trust to an executive committee at the holding company level. Bank executives and holding company trustees – which included a variety of businessmen and corporate lawyers – rather than professional loan officers would determine the fate of further finance for the city.<sup>132</sup> Simultaneously, Kucinich announced plans for \$50 million worth of new bond issues and plans to refinance short term notes (\$15.5 million) that were due to be paid or rolled over in December 1978.

The public battle that ensued ultimately hinged on Kucinich's unwillingness to sell Muny Light to Cleveland Electric Illuminating, a move Kucinich claimed the banks required in order to continue lending. Though they publicly denied Kucinich's assertions, the conflict of interest and CEI's longstanding efforts to acquire Muny Light makes Kucinich's claims more than plausible.

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<sup>131</sup> The Role of Commercial Banks in the Finances of the City of Cleveland, 4-5, PAL.

<sup>132</sup> Ibid., 32-3.

The public private war attracted national attention with correspondents from major news outlets flocking to Cleveland to watch the drama unfold. Ralph Nader saluted the Mayor for taking steps

New York City's political leadership had avoided in its own crisis. "New York was on the verge of bankruptcy because the corporate government was not challenged by the political government . . . Kucinich has challenged the corporate government," Nader said.<sup>133</sup> The Mayor would not budge on his refusal to sell the public utility, despite a majority of the city council arguing on behalf of privatization (including



Dennis Kucinich and Ralph Nader, October, 1968.

its African American power broker president George Forbes, whose personal attorney worked at Squires Sanders, the lead counsel for CEI and Cleveland Trust). As Brock Weir, the Bank's chairman, put it, referring to the city's young Mayor, "The only problem" with business' relationship with the city "is the little chancre downtown." "The venom of the business community towards the mayor has foreclosed any chance for a dialogue. We're way beyond the point of trying to recover \$5 million," said Weir. "[W]e're trying to recover the city."<sup>134</sup>

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<sup>133</sup> "Nader cheers Kucinich war" *PD*, January 19, 1979. See also, "Kucinich Attack on Bank Impresses House Probers," *WP*, January 23, 1979.

<sup>134</sup> Quoted in Dan Marschall, ed., "The Battle of Cleveland: Public Interest Challenges Corporate Power, Washington, DC: Conference on Alternative State and Local Policies, 1979.

On the day before Weir led the city's banking community in their collective refusal to roll over the city's debt, he penned a letter to a Cleveland resident who had written to express concerns about the bank executive's vituperative rhetoric. Weir vented his discontent,

I personally feel that my [words were] justified in that I have the right, if not an obligation, as both an independent citizen and an officer of a corporate citizen of the community, to rebut . . . unfair charges made against me, the company for which I work, and all the banks in this city. Contrary to your observation, I believe the well publicized enmity of the city administration towards Cleveland bank officials has been completely unjustified and is, from my viewpoint, a product of raw political power. I for one do not intend to take these allegations lying down.<sup>135</sup>

Kucinich began December 15, municipal bond D-Day, with an appearance on ABC's Good Morning America, reiterating his stance against the sale of the city's municipally owned electric utility. As the city inched toward default, the city's evening paper, the *Cleveland Press*, reported that the other banks holding smaller debts had signaled their willingness to roll over the notes in exchange for a commitment to raise city income taxes.<sup>136</sup> Weir's Cleveland Trust, however, would not budge. That afternoon, Moody's lowered Cleveland's bond rating to the level New York City reached in the depths of its 1975 crisis. On a live edition of the six o'clock news, Kucinich again rejected a compromise measure or the sale of MUNY light, calling both plans "Baloney!" Sometime that afternoon, Brock Weir left town on a two-week vacation,

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<sup>135</sup> Brock Weir to T.R. Thoren, December 14, 1978, Ibid., 92.

<sup>136</sup> Ibid., 39.

locked in to his stance. As the clock ticked toward midnight, Kucinich railed against Weir and Cleveland Trust during an emergency city council meeting. When Council President Forbes rapped his gavel at 12:06 AM, the city was in default.<sup>137</sup> Cleveland became the first major American city to default on its obligations since the Great Depression.<sup>138</sup> As Weir later put it, “We were kicked in the teeth for six months. We got tired – we kicked back.”<sup>139</sup>

As the bank executive put it in a public letter to bank employees, Cleveland Trust took such a hard line because of “how we view our responsibility to the city and the people of Cleveland.” “Your bank,” he wrote, “has a commitment to Cleveland that stretches back 85 years.” In addition to the \$5 million note the bank called on December 15, it held a further \$28 million “invested . . . in the facilities in the City of Cleveland.” As Weir put it, “Presenting our \$5 million note for payment on December 15 was a very difficult decision, made in the hope that it would help mobilize the city’s government to begin to deal realistically with Cleveland’s financial problems before the city plunges deeper into financial difficulty.” The *Wall Street Journal* endorsed Weir’s producerist vision of the city’s financial fathers, its civic patriarchy. “The pressure on Mr. Weir,” the *Journal* opined, “has been all the more intense because no one else has seemed willing to impose fiscal discipline on City Hall.” Said Weir, officials throughout

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<sup>137</sup> Ibid., 42.

<sup>138</sup> The CBS evening news with Walter Cronkite devoted a three minute segment to the city’s default that well captures the acrimony in its aftermath. See: <https://www.youtube.com/watch?v=Hz4Swsow8m0>

<sup>139</sup> Marschall, ed., “The Battle of Cleveland.”



the public sector – beyond Cleveland, too – are “not geared up to handle finances . . . They don’t have the standards of accountability of the private sector.” Testifying before Congress, Weir unleashed his producerist indignation at Kucinich’s position: “It seems a topsy-turvy world of values indeed when by reckless and unsubstantiated charges, a delinquent, deceitful and defiant debtor can call his all-too-patient creditors to account.”<sup>140</sup> Weir likened his bank to city government’s stern father:

The current barrage of name calling directed against us has not affected our restrained, forceful insistence on financial discipline in the management of the city. On the contrary, our position has generated impressive local and national support for this great company. As the *New York Times* said, we are ‘willing to take the heat . . . rather than allowing the city’s finances to continue to erode.’”<sup>141</sup>

A subsequent poll found that Weir edged out Kucinich in terms of favorability among a number of Cleveland’s “public figures.” Weir continued to pile on the Administration, saying the Mayor’s chief financial advisor didn’t “know a balance sheet from a slice of bread.”<sup>142</sup>

The federal government felt the city should take some heat, too. The Carter Administration refused to issue the city’s 1979 revenue sharing funds early, and, fearing extensive state controls, the Kucinich Administration resisted reaching out for help from the state

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<sup>140</sup> “Drawing the Line in Cleveland, *Wall Street Journal*, August 17, 1979.

<sup>141</sup> Marschall, “The Battle of Cleveland,” 307.

<sup>142</sup> “Drawing the Line in Cleveland, *Wall Street Journal*, August 17, 1979.

of Ohio.<sup>143</sup> Kucinich complained, “I would feel better having Woody Allen in the White House than Carter.”<sup>144</sup>

Business’ position on the Kucinich Administration and the harm it had done to the business climate in Cleveland scored a coup de grace when Diamond Shamrock, one of the city’s venerable industrial firms, announced in May 1979 that it was moving its headquarters to Dallas. Despite subsequent analysis that suggested the move had more to do with internal firm dynamics and growing business in the Southwest, William Bricker, its President and CEO, gave the Growth Association and business leaders in Cleveland an assist by citing the city’s political climate as the primary reason for moving. According to Bricker, the company was headed to the Sunbelt because of “the political, economic and educational climate in Cleveland and particularly the anti-business attitude on the part of the city administration.”<sup>145</sup> He and the city’s business leadership laid the loss of 2,000 jobs at Kucinich’s feet. Indeed, rumors circulated that the managing partner of Jones, Day, Reavis and Pogue, Allen C. Holmes, had urged Bricker to make just such a statement.<sup>146</sup> About Dallas, Bricker said, “It is kind of nice once in a while not to be looked on as a two-headed monster.”<sup>147</sup> “In recent months,” he explained, “several

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<sup>143</sup> Glasberg, *The Power of Collective Purse Strings*, 126-7.

<sup>144</sup> “Kucinich Says Woody Allen More Capable Than Carter,” *Pittsburgh Post-Gazette*, April 23, 1979.

<sup>145</sup> Swannstrom, “Urban Populism,” in Cummings, ed., *Business Elites and Urban Development*, 134.

<sup>146</sup> “Principal Guest Conductor,” *Plain Dealer*, June 18, 1979.

<sup>147</sup> “Diamond Shamrock Moving From Cleveland,” *Toledo Blade*, May 30, 1979.

potential employees decided against joining us,” because of the city’s negative image. The company considered leaving two years earlier, and “It was a bad decision to stay” because they had “to oversubsidize employees to get them to come to” Cleveland.<sup>148</sup> Bricker predicted other companies would leave, too.<sup>149</sup> Kucinich thanked him for “the gratuitous kick in the teeth.”<sup>150</sup>

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If the fraught Perk years and the Kucinich fiasco taught business anything, it was that having a sympathetic executive in city hall was essential to advancing their developmental agenda. In 1978, at the peak of the Kucinich crisis, members of the Growth Association and other concerned business leaders traveled to Columbus, Ohio to convince Republican Lieutenant Governor George Voinovich to come home to Cleveland to save his fractured city. As part of his agreement to run for mayor, Voinovich extracted more than mere campaign contributions. He demanded that once he took office, business leaders would lend his administration hundreds of hours of their own time as well as hundreds of private employees to work full time for the city, organizing an overhaul of City Hall operations. Though they were to work for the city, the majority of these loaned executives’ salaries would be paid by their private employers. The executives agreed. As Jimmy Carter had done in Georgia in 1970, Voinovich would bring

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<sup>148</sup> “Diamond Shamrock Leaving Cleveland for the Southwest,” *WSJ*, May 30, 1979.

<sup>149</sup> “Diamond Shamrock Leaving Cleveland,” *NYT*, May 30, 1979.

<sup>150</sup> “Diamond Shamrock Leaving Cleveland for the Southwest,” *WSJ*, May 30, 1979.

business into government to modernize, streamline, and focus city government on one primary goal: delivering economic growth.

In his 1979 campaign, Voinovich well understood which way the city's – and the nation's – political winds were blowing. While Kucinich believed he had won office in 1977 thanks to suspicion of corrupt corporate influence on government, the animating force had actually been concerns about ineffectual government. Kucinich rode his antibusiness rhetoric right to default, and, in so doing, in the wake of Watergate, Vietnam, and racialized battles over welfare and affirmative action, he provided further local justification for working class white Clevelanders' precipitously declining faith in public institutions. These public sector failures help explain Americans' search for new institutions and actors to deliver public goods and security.<sup>151</sup>

Indeed, in contrast to the combustible politics of Kucinich and the collapsing ability of the national government to handle inflation, Voinovich joined a new generation of politicians of both parties who promised stability through businesslike moderation and efficiency in public administration. Voinovich promised in his campaign “a very businesslike atmosphere at City Hall.” “[W]e'll run the city like the president of a corporation would run a corporation. I look at the taxpayers as shareholders and they have a right to get a return on their tax dollar. That's been

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<sup>151</sup> Alan Brinkley has urged scholars to consider the importance of rising inequality and the structural dislocations of the 1970s as a material impetus in the popular deployment of conservative or free market values. Brinkley, “Conservatism as a Growing Field of Scholarship,” *Journal of American History* (2011) 98 (3): 748-751.

my stock and trade.”<sup>152</sup> While Ralph Perk had campaigned against bloated government and Kucinich had targeted private corruption of government, Voinovich’s pivot to venerating a businesslike solution and his deployment of “market speak” to fix broken government were new. His contrast with Kucinich was decisive. In a city that had once been a cornerstone of the New Deal coalition, working class white voters had elected a Democratic mayor only once in over a decade. In winning the election, Voinovich inherited a city with \$111 million in debt.<sup>153</sup>

Cleveland’s business and political leadership were joining a regional trend that explicitly took Southern developmentalism and public private cooperation as a model. Indeed, Northern groups were recognizing that federal funds alone had not been the key to the South’s rapid growth. Instead, cohesive relations between business, government, research universities, and, where possible, labor had been central to the South’s rise. In its 1977 report, “Revitalizing the Northeastern Economy,” the Columbus, Ohio based Academy for Contemporary Problems focused on local political alliances, not simply fiscal federalism. Prepared in partnership with Boston’s Council for Northeast Economic Action, the report argued that a significant cause of regional decline was “a set of antagonisms” between the major players in the Northern economy – business, labor and local government – that had been “destructive to the long-run interests of

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<sup>152</sup> “Voinovich: Viewing the front 4,” *Plain Dealer*, September 30, 1979.

<sup>153</sup> Joseph L. Wagner, “The Man, the Myth, the Mayor: George Voinovich,” *Cleveland Magazine*, August 1982, PAL.

all.” The report drew upon interviews with 900 members of these sectors and found that, as *National Journal* summarized it, “business has come to feel that government in many parts of the Northeast is ineffective, fragmented, hostile, and uninterested in the very programs needed to underwrite economic renewal. Business and labor distrust each other and a large and vocal segment of the public distrusts both as well as government.”<sup>154</sup>

In the inflationary crisis of the 1970s, Northerners of all stripes had lost faith in two of their most important institutions: government and organized labor. Indeed, Massachusetts Congressman Michael Harrington, who would lead the North in the looming Sunbelt / Frostbelt wars over federal funding formulas, conceded that this “set of antagonisms” was, perhaps, even more determinative of regional decline than was the perceived loss of federal aid to the South. Said Harrington, “Smug insularity and complacency have held on rather grimly.” “We have longer-term wealth and both the benefits that come from it and the drawbacks.” Pointing to dynamic, growth-oriented Southern Democrats, Harrington concluded, “We don’t have a lot of Bert Lances or John Connallys in our region.”<sup>155</sup> While Harrington was a Democrat, the incoming Republican Voinovich Administration in Cleveland and its business allies wholeheartedly agreed. Cleveland’s troubles were not fundamentally because of too much government. They derived from the absence of vigorous public private partnerships.

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<sup>154</sup> “A ‘Hell of an Experiment’ in Resolving Economic Growth,” *National Journal*, January 21, 1978.

<sup>155</sup> “Regional Groups Talk About Cooperation, But They Continue to Feud,” *National Journal*, May 27, 1978.